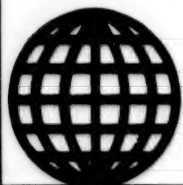


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29 AUGUST 1989



**FOREIGN
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JPRS Report

East Europe

East Europe

JPRS-EER-89-098

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INTRABLOC AFFAIRS

Independent Conference on Central Europe's Future

26000628 *Krakow TYGODNIK POWSZECHNY* in Polish No. 30, 23 Jul 89 p. 2

[Article by Henryk Wozniakowski: "Central Europe: Illusion or Opportunity? (Krakow-Tyniec, 22-25 June 1989)"]

[Text] The question: Central Europe, illusion or opportunity? is neither rhetorical nor insipid. The temperature of the statements and discussions at the Krakow symposium proved that it is of genuine, vital significance to many people. The symposium was set up by a group of people taking part in the Warsaw seminar "Poland in Europe" and the editors of ZNAK. A number of people from the Hungarian Democratic Forum, Pax Christi International, and the Centro Incontri Studi Europei in Rome attended the meeting. It was organized largely through the efforts of Zygmunt Skorzynski, Stefan Wilkanowicz, and Artur Hajnicz.

The discussions began symbolically in Tyniec, in the farmstead of the most recent heirs of Saint Benedict, patron of Europe. Then they moved to Krakow, under the Gothic metalwork of the Dominican chapter house. This beautiful hall had already received many great intellectual stars, but this time the cluster was far denser, and the stars were grouped in special constellations, because despite the fact that the subject of Europe has not slipped from the calendar yet—Jacek Wozniakowski listed five important European conferences taking place very close to the time of the Krakow conference—the title is nonetheless attractive and promising, and the place of the meetings proved to be a sufficient draw to pull in several dozen conference registrants from abroad, including Erhard Busek, former mayor of Vienna and the present education minister of Austria; Antonin Liehm, editor of Paris' excellent LETTRE INTERNATIONALE; leading French politician Pierre Hassner; Timothy Garton Ash, author of what have certainly been the best books about our country in 1980-81 and a large number of flashy analyses of the political situations in Central Europe; the famous Hungarian author Gyorgy Konrad, and a whole galaxy of participants in the Hungarian Democratic Forum, the well-known historian and political writer Francois Fejto, Professor Evgenii Ambarcumov from Moscow's Bogomolov Institute, and finally our celebrities currently in the West: Leopold Unger from Brussels, Prof Piotr Wandycz from Yale, and Adam Zagajewski from Paris.

Several different aspects of the seminar's key question were illuminated. One session after another addressed the concept of "Central Europe," the West vis-a-vis Central Europe, the issue of European unity, the future prospects for our part of the continent, Russia, Germany and Austria and Central Europe, and, finally, the Church in this area. As one can see, there was sufficient material

for at least several full conferences, but the fact that the Krakow meeting was the first of its kind to be held not in the West but right here justified its being an overview or survey.

Ancient wisdom tells us that each thing has its measure, and each its own time. For Central Europe the time has come for politics. Adam Zagajewski noted (in the corridors or cloister) that the subject had undergone substantial evolution during the past few years. Not long ago people talked about Central Europe in terms of nostalgic poetics, but today there are analyses of its problems in technical, economic, and political categories in terms of the general interest, the balance of power, military pacts, and economic communities.

There was the issue of "poetry" at the Krakow colloquium too, and cultural matters were generally dominated by politics. The former received some attention in deliberations concerning the area's identity. "What are the essential conditions for a 'cultural dialogue' within Europe?" Stefan Wilkanowicz asked. "How are ages-old European values like the individual, freedom, pluralism, the right of the state, and private property fulfilled in the intellectual and artistic culture of Central Europe?" wondered Andre Reszler, of the Institut des Etudes Universitaires Europeennes in Geneva, and using chiefly Austrian and Hungarian examples, he proved a sort of pragmatism or empiricism in the intellectual culture of Central Europe, its fundamental pluralism, which contradicts the monistic, abstract, totalitarian visions of utopia. Prof Jerzy Kloczowski finds the Central European identity in "the living gravity of history," that is, in the historical gravity which exerted its influence on culture, on national mythologies. And, Prof Wandycz added, the common identity of these countries, where the nations create the states rather than the other way around, and sometimes these are federal states. Experience of partitions came from many of these countries. Just about everywhere the Jews and the Germans played such an important part in culture and civilization.

In this region the changes of the past 50 years have been broader and deeper than those in the Roman Empire during a like period following its decline, however. Reszler asked whether the "new" had seeped into the world of values and customs or whether the old identity endured. Kloczowski asked whether life in the communist countries had only furthered the creation of barriers of mutual distrust or had provided experience which could be the basis for further understanding. And this is how the speakers' inquiries quickly took on a political dimension.

One thing shed light on the political disputes, however, the generally accepted conviction that we are in a critical period where [passage deleted from original text and replaced with notation: Law of 31 August 1981, "On the Control of Publications and Performances," Art 2 Point 6 (DZIENNIK USTAW No 20, Item 99; amended 1983, DZIENNIK USTAW No 44, Item 204) ...], the postwar

European order is breaking down and there is the possibility of a new system, which may give the countries of Central Europe a historical opportunity.

Pierre Hassner was less optimistic. He considered Western Europe's increasing structural economic superiority along with the possibility of the USSR's maintaining military superiority unavoidable. This is a situation which could lead to the further economic and political marginalization of the Central European countries, even if they were to manage real mutual cooperation. Wojciech Lamentowicz was afraid the same possibility could develop, that of "armed peace" between Russia and the West at the cost of the rest of the countries on the continent, but he thought it was more likely that there would be a happy turn of events owing to the growing bilateral relations between the Common Market and the individual countries of Central and Eastern Europe. These relations would depend on these countries' evolution toward democracy and market economy and would bolster this process.

Timothy Garton Ash believes there are other elements underlying the turning point alongside the unprecedented crisis in the communist system and the betrayal of the citizenry of Central European countries. In his opinion, the deep crisis in the Western intellectual left and the whole world view it has developed are other elements. In a triple metaphor appealing to the imagination, Ash formulated the picture of Central Europe as seen in the eyes of the West. For some it would be an island isolated from the great powers, where the chief values would be not democracy and human rights but peace and a clean natural environment. This is the picture certain German circles have.

Others see the future of Central Europe as a bridge. It takes the "third way" of a mixed economy. Its regime would be situated beyond divisions into left and right. Finally, others—the author himself is among them—see Central Europe as a ferry, which is getting under way—it may have gotten under way—from the coast of the East and is making good its course to the West, but will it ever make it there? It is sailing in fog. The crew is quarrelling, and even if it makes it to the shore, won't it be turned back? If the ferry is ever to reach its destination, Germany must play a key role, because it alone has the interests, means, and political will to wage an active policy of rapprochement to Central Europe.

Everyone was in agreement about Germany's key role in this region—Austria's too—but there were different views of the possibilities for German policy, owing both to the burden of the past and a poor memory about the doctrine of a Central Europe dominated by Germany, and also to the intra-German problem ... [passage deleted from original text and replaced with notation: Law of 31 August 1981, "On the Control of Publications and Performances," Art 2 Point 6 (DZIENNIK USTAW No 20, Item 99; amended 1983, DZIENNIK USTAW No 44, Item 204) ...].

Minister Busek declared the Austrians ready to play the role of bridge between Central and Western Europe, to further any sort of projects to make life in our part of the world reasonable rather than facilitating any change in the political map. Politically, Central Europe has great opportunities to turn the sources of tensions into an instrument of detente.

Insofar as the political map is concerned, the people gathered seemed to have no doubt that Central Europe belonged to the Soviet "security zone." The turning point we are dealing with, on the other hand should consist of ... [passage deleted from original text and replaced with notation: Law of 31 August 1981, "On the Control of Publications and Performances," Art 2 Point 6 (DZIENNIK USTAW No 20, Item 99; amended 1983, DZIENNIK USTAW No 44, Item 204) ...] and the transition to the plane of direct material interests. On the other hand, Arthur Hajnicz stated that these interests are still undefined, which indicates the continual presence of the "imperial option," which hampers efforts at reform. Without a renewal of the citizenry in the countries of our region, without the removal of the information barriers which still exist among them, ... [passage deleted from original text and replaced with notation: Law of 31 August 1981, "On the Control of Publications and Performances," Art 2 Point 6 (DZIENNIK USTAW No 20, Item 99; amended 1983, DZIENNIK USTAW No 44, Item 204) ...], changes in neither our country or Russia will be successful and there will not be any new real adhesive based on common interests, according to Hajnicz.

Therefore no changes on the political map were seen in its greatest dimensions. But in the realm of the "security zone," would it become independent (finlandized)? Central Europe could be organized in a way different from that in the past. It was especially the Hungarians looking towards Czechoslovakia and Poland who longed for a strong bond, even federation, among the countries of the region. Let us recall that during his recent visit to Poland, Prof Zbigniew Brzezinski pointed out in his talks the obvious benefits of possible future Polish-Czech agreements following in the footsteps of Sikorski and Benes. Poles have three ways of responding to such suggestions. Sometimes, rarely, with interest. Some treat them as pure Utopia. There is also a group which gives priority to the traditional geopolitical view, as did Kazimierz Woycicki. He said that Poland, the political axis, is like a parallel of latitude, not a meridian. Our role consists mainly of our policy towards Russia and Germany. The very concept of Central Europe, which in Poland produces Jagiellonian associations, may prove risky, and such associations are politically useless at any rate. Let us leave them to Czechoslovakia, Hungary, and Austria, and let us deepen them, if we must, solely in the cultural realm.

Well, I think that along with Sikorski, Raczynski, and others, we might hope that our future active, independent policy towards meridians will strengthen our situation between Germany and Russia, but surely for the

moment the most important for us are the signals reaching our western and eastern neighbors.

It was for this reason that everyone listened carefully to the statements by Prof Ambartsumov and Prof Pavlova-Slivanska. Prof Ambartsumov spoke in a way that has become classic for heralds of perestroika and justified the need for having the changes in the USSR come down from the top, comparing Gorbachev to the reform czars, especially Alexander II. Indicating the dramatic need for help from the West, particularly in building the economic infrastructure in Russia, he warned at the same time of the real threat of the neo-Stalinist block's becoming consolidated from the Lba to the Yellow Sea.

Prof Slivanska gave a sparkling address in which she compared the Brezhnev doctrine (about the limited sovereignty of countries in the Soviet zone) to Gorbachev's strategy. She showed that the first came as a response to external events (such as the Prague Spring), was regional, and was an offshoot of Stalinism, based on a dogmatic view of a closed society. On the other hand, the strategy of Gorbachev is just the opposite. It came in response to an internal crisis, but it also has a global nature. It is based on a vision of an open society and the desire for a market economy. An analysis of Gorbachev's political language reveals fewer and fewer empty formulations from "new speak" and shows in fact that his language contains all the ideas of the Prague reformers and of others which are bolder. Brezhnev's "proletarian-socialist internationalism" has been replaced by "not meddling in each others' internal affairs," "peaceful existence in the region," "free choice of path," and "demonopolizing the truth." Slivanska foresees that in the very near future there will be a new type of relations in the USSR between the government and the opposition along the lines of the Polish model. There are already the labor pains of the new relationship to the republics, and today we can even foresee the communist party's future approach to the opposition.

As might be expected, the Russian session evoked the greatest emotions. I will mention two opinions from among the many voiced concerning these statements ... [passage deleted from original text and replaced with notation: Law of 31 August 1981, "On the Control of Publications and Performances," Art 2 Point 6 (DZIENNIK USTAW No 20, Item 99; amended 1983, DZIENNIK USTAW No 44, Item 204) ...].

Prof Bronislaw Geremek took a similar tone. There is still a lack of clear response concerning the Brezhnev doctrine. There must be a flat-out declaration against it. Circumstantial conclusions based on an examination of Gorbachev's political language are not enough.

The Christian view of Europe and the problem of the task of Christians in Europe served as sort of a framework for the colloquium. There were the initial presentations by Prof Jerzy Kloczkowski and Stefan Wilkanowicz, as well as the final open session by Fr Jozef Tischner, who used a three-point synthesis to gather the results of

Christianity's struggle with communism in Central Europe. This struggle first of all provided confirmation of the individual's role in history, despite the negation of it, in the form of Cardinals Wyszynski, Tomasek, and Mindszenty, and people like Fr [Jerzy] Popieluszko and Lech Walesa. Second, the awareness of the dignity of the human person became stronger, gaining religious support. As a result, people were taught to really build community, as opposed to "communes" or "collectives." Finally, third, the conflict between a fatalistic vision of history appropriate for Marxism-Leninism and history viewed from the standpoint of the operation of grace was won by the latter. Grace was victorious over fate. We still face a task which has not been accomplished yet, that of naming experience which was our role.

It is easy to note that the Krakow colloquium had not only had an orientational meaning but was also an important political fact, a sign of the turning point about which so much was said during the deliberations, to some degree also a factor of it. For this reason, at the end of the meeting an international working group was created to draft formulations of future work and meetings of this type, so that this political fact will not be an ad hoc event but be transformed into a sort of permanent institution. If this intention is declared, it will be one more piece of evidence for what Norbert Bobbio said when he wrote that in countries under Soviet domination, there is still an inspiration alive in the sad hours of the triumph of fascist dictatorships, an inspiration which Benedetto Croce called "the religion of freedom" and which in his opinion contains the essence of the European soul.

GERMAN DEMOCRATIC REPUBLIC

EINHEIT Summaries of Selected Articles in July 1989 Issue

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Vol 44 No 7, Jul 89 (signed to press
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[Text]

History and Understanding Our Time

[Summary of article by Kurt Hager, member of the SED CC Politburo, SED CC [Socialist Unity Party of Germany Central Committee] secretary for Culture and Science; pp 595-610. The article was excerpted at length in the FBIS DAILY REPORT: EAST EUROPE (FBIS-EEU-89-137, 19 Jul 89, pp 23-26).]

Every generation of builders of socialism needs well-founded historical knowledge and the capacity to think historically in order to carry the tradition of past battles into the future, to utilize historical experiences and pride in what has been accomplished as an intellectual and moral force, to understand the present and consciously shape the future. History is for us the material of

experience for societal strategy, [a] source of ideology. That determines dealing with the challenges which the writing of history in the GDR must face, and is facing, today.

Man in Our Ideology

[Summary of article by Prof Dr Heinrich Opatz, director of the philosophy department of the SED CC's "Karl Marx" party college; pp 611-617]

It is a logical consequence of our Marxist-Leninist ideology that man and his welfare are the focal point of the SED's and our country's societal policy. It can claim for itself to have founded a scientifically based understanding of man. Which insights and discoveries are the key to understanding man, his history and future, and how do we use them for the further shaping of developed socialist society in our country?

Working People—Masters of Their Destinies

[Summary of article by Prof Dr Reinhold Müller, ethics research department at the Institute for Marxist-Leninist Philosophy of the SED CC's Academy for Social Sciences; pp 618-623]

The fact that in our country, societal matters are shaped by working people themselves and in their own interest, is gaining ever greater importance in the work sphere. From man's altered position in the system of productive forces and his role as subject of scientific-technical progress it is discussed from an ideological viewpoint what matters decisively in the introduction of key technologies in order to realize the highest economic effectiveness and demanding social goals through conscious creative cooperation of working people.

'...the Greater Individuality Is Developed'

[Summary of article by Prof Dr Harald Schliwa, deputy director of the Institute for Marxist-Leninist Philosophy of the SED CC's Academy for Social Sciences; pp 624-630]

Our party's devotion to man's individuality and his versatile richness in relations and attributes agrees with our Marxist-Leninist ideal of personality and our humanistic concern as a whole. What is individuality? Wherein consists its value for the individual and for society? What does it mean for managerial activity in particular to take into account man's individuality in all decisions and to promote its development?

Information, Communications Technology, and Societal Progress

[Summary of article by Prof Dr Harry Nick, research department head at the Institute for Political Economy of Socialism of the SED CC's Academy for Social Sciences; pp 631-637]

It is one of the fascinating results of scientific-technical progress that man is able to expand his intellectual

powers through technology, to open up new dimensions for his reaction and perception capabilities. Wherein consists the challenge of communications technology which is the cause of this development? What responsibility must society face in dealing with this technology?

The Factory of the Future in the Light of University Training and Research

[Summary of article by Prof Dr Hans-Juergen Jacobs, rector of the Dresden Technical University, and Dr Rudolf Vogt, first secretary of the Dresden Technical University's SED Kreis committee; pp 638-643]

Automated production, as a prestage to the automated factory, is even in the present a result and simultaneously a characteristic of radical innovations of the scientific-technical revolution. What traits characterize "data-controlled" production, and what demands does it place on its practitioners? How is the Dresden Technical University reacting in teaching and research to this technical-technological and social challenge?

Artificial Intelligence—Key Technology of the Future

[Summary of article by Prof Dr Volker Kempe, director of the Central Institute for Cybernetics and Information Processes of the GDR Academy of Sciences, member of the GDR Academy of Sciences; pp 644-650]

Within the framework of our economic strategy, knowledge-processing systems are used ever more comprehensively as highly effective tools of man in order to fully develop the performance capability and superiority of human intelligence. The technicalization of certain of man's intelligent performances creates important preconditions for the mastery of high technologies. What tendencies characterize the international state of development? What is research in the GDR occupied with?

A Great Revolution and Its Global Effect

[Summary of article by Prof Dr Dr Manfred Kossok, head of the scientific field of General History of Modern Times 1500-1917, and of the interdisciplinary Center for Comparative Revolutionary Research of the history department of the Leipzig Karl-Marx University; pp 651-657]

What characterizes France's great revolution, its national and international significance, its progressive, world-historical character? What echo did it find in Germany? The progressive inheritance of this revolution was adopted and carried further by the revolutionary workers' movement. The article also critically examines the attempts of reactionary forces to falsify the nature of the revolution.

Liberty, Equality, Fraternity

[Summary of article by Prof Dr Hermann Klenner, Central Institute for Philosophy of the GDR Academy of Sciences, member of the GDR Academy of Sciences; pp 658-663]

On the occasion of the 200th anniversary of the French revolution and the declaration of human and civil rights, the merit, class content, and limits of bourgeois human rights theories and documents are analyzed. The grand human rights idea, equal rights, conditions, and opportunities for the free development of all, which had to fail under the conditions of capitalism, found, and finds, continuation and implementation in the struggle of the revolutionary workers' movement and socialism for the complete emancipation of man.

Theoretician Lauds SED Achievements, Aims

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Vol 44 No 7, Jul 89 (signed to press
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[Article by Prof Dr Otto Reinhold, member of the SED CC [Socialist Unity Party of Germany Central Committee], rector of the SED CC's Academy for Social Sciences: "40 Years of the GDR"]

[Text] Continuity and Renewal—this basic principle of SED policy determined the character of the central scientific conference which took place in Magdeburg on 25-26 May under the motto "40 Years of the GDR—40 Years of Successful Battle for Peace and Socialism."

Social scientists of our country, together with practitioners from industry and political life, took stock of the past 4 decades, summarized the contribution to the theory and practice of socialism made on our way. But because this concerns a continuing process of socialist shaping of society, to be carried on purposefully, they also focused on the 12th SED Party Congress, on the challenges of the 1990's. They were guided by the idea that the anniversary could best be celebrated by making a contribution to solving coming tasks. Accordingly, a working conference was held. Comrade Horst Sindermann gave the major address on the basis of which the participants in four study groups dealt with major areas of our party's policies—the policy of peace, historical experiences, economic and societal strategy, and the further development of the political system in the GDR. Of the 400 participants from the GDR, 75 held the floor; of the approximately 40 foreign guests from socialist countries, 29 spoke in the discussion. A lively exchange of experiences took place during excursions to industrial and agricultural enterprises as well as scientific establishments of the Magdeburg bezirk. These historical experiences were linked to topical tasks in a variety of forms.

The main address and discussion made clear that the history of the GDR in a special way was, is, and will remain linked to the class struggles of our time, to the confrontation of the two societal systems. To this day the GDR is the only country in the history of world socialism where the transition period from capitalism to socialism was carried out with totally open borders—and successfully so. Its border with the FRG and West Berlin is the most sensitive border in the world. Security along this border is not only necessary for the successful

shaping of developed socialist society in our country, but is a fundamental condition for peace and security in central Europe. Thus, for the GDR the shaping of socialist society is linked in a very special way to the battle for peace, disarmament, and detente.

It is evident even today that the 1990's will be characterized by further challenges in this regard. On the one hand, the possibilities for real disarmament steps are growing. The peace offensive of the Soviet Union and the socialist community has created new, favorable conditions therefore, which the ruling imperialist circles can no longer evade. The GDR makes its contribution so that the 1990's will become a decade of dialogue and actual disarmament, and that progress will be achieved in the struggle for the creation of a common European home, which plays an important part in this.

But the discussion also dealt with a different trend which has become ever more evident in recent times. It concerns the strategic concept of ruling imperialist circles to utilize the processes of change in the world of socialism in order to achieve an erosion of socialism, to undermine and eventually overcome the socialist order. In a recent speech in the FRG, U.S. President Bush clearly formulated this goal when he presented his idea of "freedom and democracy in East Europe" and demanded: "...bring glasnost to East Berlin." And he left no doubt about what he means by that: the regression of socialism into a form of bourgeois democracy, bourgeois society. Evidently we must assume that this will be the strategic goal of imperialist circles in the coming years. Within the framework of this strategy, the GDR is to be put under special pressure. For one, because it is in an exposed position at the dividing line of the two world systems and the two military alliances. Without a doubt, the stability at this border is significant for the political leeway of the communist parties of other socialist countries. For another, the GDR is one of those socialist countries that ensure a dynamic development of the economy and society, and thus political stability.

All that confirms our ideas about the dialectic correlations between general human interests and class interests, about the dialectics between cooperation of socialist and capitalist nations, and confrontation of the two systems of society. The fight for peace, mutual security, cooperation in no way supersedes class interests. Imperialist forces at the same time are hoping for new opportunities for the fight against socialism.

Especially under these conditions, the further dynamic development of socialism in the GDR is the most important task in our country. For this reason, it was the focal point of the conference. Two aspects permeated almost all contributions to the discussion. One aspect that was stressed was important is that the SED in a time of far-reaching processes of change has a clear concept of society, a clear strategy of economic and societal development by international standards as well as in the world of socialism. Thereby we possess a solid foundation for determining our policy in the coming decade.

Another aspect were the detailed discussions about what new conditions must be created, which new requisites must be dealt with. The further dynamism of economic development demands that new sources for growth must be opened up. That is possible only if the technological process of change is considerably accelerated through broad application of modern key technologies, and if its effective economic use is substantially increased. The fundamental condition for that is the mastery of the dialectics between productive forces and socialist production conditions. For this reason, there was great interest in the explications on implementing the principle of self-financing of investments by combines and enterprises, since it plays a decisive role for the further development of our planned economy overall as well as for the further shaping and utilization of socialist ownership conditions.

Much attention was paid to the further shaping of the unity of economic and social policy. What was important was the broad analysis of the fact that economic and scientific-technical development not only affects all of society, but that it requires corresponding conditions in all sectors of societal life. Related thereto is the question regarding the specific driving forces of socialism, the ways to fully develop the striving for performance of all workers. There was agreement that particularly essential for that are the purposeful implementation of the performance principle and the further development of socialist democracy.

With all this, the conference took its place in the theoretical-scientific and practical-political preparation of the 12th SED Party Congress. This goal-setting was fully complied with in the discussion of the study groups, based on the current requisites of the further shaping of developed socialist society and the international class confrontation. Overall it became evident that the preparation for the party congress is carried out on a comprehensive and scientifically founded basis in which our country's social scientists participate intensively and actively.

The conference documented the purposefully pursued SED line to orient social science research to societal practice. The entire consultation was permeated by the close correlation between Marxist-Leninist theory and societal practice. The discussion participants examined actual development problems and developed realistic ideas for mastering them. This evidenced convincingly that there is no room in our country for the remoteness from everyday life of social sciences, deplored in other socialist countries.

The factual and sober analysis of societal development in the GDR and the constructive dealing with requisites and problems proved vividly how our party has managed to combine continuity and renewal. It was demonstrated in practice how problems can be tackled offensively if clear concepts on the shaping of socialist society exist, if

one can proceed from successful accomplishments, and if ways of solving upcoming problems are developed in good time.

Lastly, the conference was also a contribution to the international exchange of opinions on development problems of socialism. With the exception of the People's Republic of China and the Socialist Federal Republic of Yugoslavia, all socialist countries were represented. It became evident that a number of parties, under the pressure of current difficulties, at present have no constructive concepts regarding the future road. There was agreement, however, that there can be no universal model of socialist development for all socialist countries. There were no indications of [anyone] recommending the reorganization in one's own country as a universal precept for others. There was approval for the idea to intensify the exchange of opinions and experiences. Probably under the impression of the excursions, also, various foreign speakers expressed their deep respect for what has been achieved in the GDR.

Overall, the Magdeburg conference was an expression of, and contribution to, the further development of intellectual-cultural life in the GDR. It became evident that we also possess a large scientific potential in the field of social sciences, that our country's social sciences are firmly anchored in creative Marxism-Leninism, and are inseparably linked to the SED and its policies.

SED Membership Renewal Aims, Procedures Discussed

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[Article by Horst Dohlus, member of the SED [Socialist Unity Party of Germany] CC [Central Committee] Politburo, SED CC secretary for party organs: "One Political Highlight of the SED on the Road to the 12th Party Congress"]

[Text] At the Seventh Meeting of the Central Committee, comrade Erich Honecker described the exchange of party documents, set by the CC for the period of 1 September-31 December 1989, as a significant political measure for further increasing the leading role of the SED and for further reinforcing its fighting power.

This broad action in party life is necessary, since the validity of the party books expires for the majority of the party members in 1990. According to a time-tested tradition in our party, personal talks will be held in this context with all members and candidates of the SED.

This defines the principal direction of engaged political work for the 2.3 million communists in their party organizations and among the masses, as well as for the major responsibility of bezirk and kreis leaderships for the next few months.

What is the political significance of the exchange of party documents, which can be anticipated in all party organizations and their leaderships?

1. The exchange of party documents and the personal talks connected with it are a fixed component of the imminent preparation for the 12th SED Party Congress, intended to contribute to the further reinforcement of unity and determination in the party ranks and to intensify its firm, confident ties with the working people.

In all activities the intent should be to undertake the exchange of party documents with the goal of assuring a continued increase in the quality of the party's political leadership of the social processes, commensurate with the process of growth and maturity in the party achieved since the 11th SED Party Congress. The best preconditions are thus created so that, together with the entire people, the tasks of the 1990's can successfully be mastered, while preserving the unity of continuity and renewal in shaping the developed socialist society in the GDR.

2. The exchange serves further to strengthen the leading role and fighting power of the SED by increasing the readiness to act of all party organizations. In so doing, it is important to perfect democratic centralism through broad development of internal party democracy and to assure, after thorough discussion of ways to realize party decisions, uniform and disciplined action by all comrades in the struggle to implement it.

3. The personal talks are primarily aimed at intensifying the comradely relations between party leaderships and members, at promoting an open, partylike and creative climate, and achieving a further increase in quality in the activity of the party leaderships. The criterion for every leadership and every communist is and remains our principle that the party is there for the people, and the only privilege of a party member consists in serving the people. This includes further increasing the role of the members and candidates as fighters at the ideological front and reinforcing their class attitude in the mass work, in the work collective and in their residential area. Anyone who cannot live up to this responsibility cannot be a member of the SED.

4. To develop a broad initiative for the party organizations and work collectives in the socialist competition for the 40th anniversary of the founding of the GDR and in preparation for the 12th SED Party Congress, and thus to create every precondition for carrying on the unity of economic and social policy—that is to be an important result of the exchange of party documents, which thus will also prove its importance beyond internal party tasks.

As the main force of the socialist political system of the GDR, our Marxist-Leninist party is getting ready for the fourth time since the unification party congress to achieve, with the exchange of party documents, continued growth in fighting power, political, ideological, and organizational unity and determination.

The art of leadership activity in bezirk and kreis leaderships, and in the work of the basic organizations, for the precise implementation of the exchange as a political party action, must primarily consist in always putting it in close context with the solution of all political, ideological, economic, and spiritual-cultural tasks that must be solved during this period of time. This requires a maximum amount of complexity in leadership activity by the top party organs and makes major demands on leadership capability from the CC to the basic organizations, according to the directives of the SED CC for undertaking the exchange of party documents.

Where should the complex leadership activity be aimed, in order to generate additional impulses for realizing all the tasks imposed by the Seventh Meeting of the CC?

Further activation of the extensive popular movement in preparation for the 40th anniversary of the founding of the GDR is important. This should achieve a higher quality in the struggle for overall strengthening of socialism in the GDR, in peace and disarmament. In so doing it will be useful to include and continue the initiatives, good results, and experiences from the municipal elections and from the Whitsun meeting of the Free German Youth. The unequivocal declaration of the citizens on 7 May 1989 for the continuation of the policies of the 11th Party Congress was a result of the mobilization of the entire party in alliance with the parties and mass organizations united in the National Front of the GDR. This major force must now be directed at additional tasks.

It remains important that with their great efforts millions of working people in the GDR should turn their place of work into a place of struggle for peace, in the certainty that a strong socialism is the decisive guarantor of peace. It remains a component of complex leadership activity also constantly to have that responsibility in mind, which our party and the GDR perceive in the struggle for peace and for the attractiveness of socialism.

Forces exist in the capitalist world which want to prevent the continued disarmament process and try to introduce a new armament process with the catchword of "modernization." The concept of fighting for peace "Now More Than Ever," which comrade Erich Honecker announced in 1983 is just as current today as it was then, in view of the armament policy of the U.S. government and its pressure on the NATO allies.

The complex leadership activity needs to take into account the high demands for quality, standard, and efficiency of the ideological work of each party organization, in order to bring the policies of the party and the decisions of the CC into every work collective and into each family, and to promote deliberate action by the people for their socialist state. This is linked with the requirement of conveying the superiority of socialism, its values, ideals, and achievements in an even more convincing manner, and of reminding people of this by

means of the successful result of the 40-year development of the GDR and the wealth of facts from the life of every young person and all the citizens.

It is important to clarify our socialist development even more energetically as an alternative to the imperialist FRG, and to leave the opponent no room for antisocialist activities and bourgeois ideas.

Valuable impulses are to emanate from the exchange of party documents, in particular from the personal talks, for the activities of the comrades to continue to successfully implement the economic strategy in their unit of economic and social policy. This means that party and mass work in the basic organizations should concentrate on meeting and overfulfilling the performance and efficiency goals of the 1989 plan, on guaranteeing fulfillment of the state plan positions and on-time completion of capital projects, on continuing the struggle fully to guarantee the export obligations and to increase the supply of popular consumer goods, services, and repairs in accordance with the growing demand.

The personal talks connected with the document exchange will continue, with the high standard of the 12th Party Congress, a proven tradition that goes back to the KPD [Communist Party of Germany], Ernst Thaelmann's party.

Every comrade should clearly feel during the personal talk that his concrete activity as well as his advice so far have been indispensable to the implementation of the decisions of the 11th Party Congress and that they will be used in the future. It is important in this connection to calculate the personal contribution of the comrade in a factual manner, and to discuss where his place in the preparations for the 12th Party Congress is. Part of this is also to express thanks to active comrades for the work they have done.

The personal conversations are to be carried out in a manner such that:

- they take place in a partylike, comradely, and open atmosphere; contribute to the personality development of the comrade; and have an educational effect, so that they further develop a fighting spirit, ideological steadfastness, and initiative for the cause of the party, for socialism, and peace;
- every comrade is aware of what it means to belong to our Marxist-Leninist fighting union, which has written on its flag that it should serve the people honorably and do everything for its welfare and happiness;
- the feeling of responsibility of the members and candidates toward the activity of their party organization and the entire party will be further stimulated and the political aura thus enhanced;
- knowledge is imparted to the party leaderships and to each communist as to how political activity and exemplary effect as well as party influence can be increased through a demanding life within the party,

- they contribute to the reinforcement of the party ranks by determined fellow combatants, who are among the best FDJ [Free German Youth] members and produce model achievements in their work and study collectives.

What matters is that the impending tasks in every social area are tackled in a practical way under the aspect of overall policy, and that the party collectives draw the necessary conclusions from the result of the personal talks. In this context, the talks are to revolve around a continuous increase in the political-ideological appeal of the party, meaning around a task which our Marxist-Leninist fighting union always faces and will always face as well, since it involves the core of the party work, around the aggressive, sensitive, ideological activities of all members and candidates of the SED.

In order to raise the level of internal party life, it is important to prepare and conduct the talks in such a way that questions of attitude and work results are critically and self-critically evaluated in a partylike, open atmosphere. One way to greater activity by the comrades is more lively and more practice-related monthly membership meetings. Opinions should be exchanged, as to how, with the active participation of the party members, the meetings can be even more strongly organized as a forum for current information and arguments, explanation of decisions, formation of opinion, as well as for conveying experience, reporting, and supervision.

Tied to the time-honored motto "Where There Is a Comrade, There Is the Party" is a basic attitude of the members and candidates of our party, which to a great extent will determine the content of the personal talks. Of primary importance should be an evaluation of the share of fulfillment level of the demanding tasks that have been determined in the basic organization's action programs for the year 1989, including the understanding of how it was possible to achieve high goals.

It should become clear in the personal talks what the judging points are for the work and attitude of an SED member within the party and among the masses in our time filled with struggle. This will serve further to steel the members and candidate members of the party, whose aim is:

- that they share responsibility for everything and are always ready to do their best for the welfare of the people;
- that their actions be determined by unwavering confidence in the policies of the CC and by the fixed, class-oriented positions in every situation;
- that their contributed struggle for socialism is connected with passionate advocacy for what is new, for overcoming problems that still need to be solved and for model-inspiring action for the general strengthening of the socialist fatherland.

With those male and female comrades who have demonstrated varying inactive and passive behavior, the

concern and purpose of the personal talks is also to discuss the opportunities and to determine tasks that lead to active cooperation in their party collective. But for those who deliberately disregard the duties stated in the party statute, who do not master their model role as comrades and who violate the relationship of confidence between party and people, who succumb to the ideological influences of the opponent, a decision about their continued membership in the party must be made at the next membership meeting.

In every personal conversation the results for the future work of the comrade and the overall party collective will be all the greater the more one understands how to devote much attention, based on the duties and rights anchored in the statute, to the questions of further perfection of democracy within the party and of an increase in the level of internal party life precisely in preparation for the 12th Party Congress.

This also includes carefully going over all proposals, hints, and criticisms and introducing necessary decisions and changes, as well as covering conversation problems, which cannot be cleared up within the area of responsibility of the basic organization, letting the kreis leadership or other responsible organs work on them, and reporting on the result to the comrades.

Nothing that moves the comrade must be neglected, but has its place in the friendly argumentation between brothers in arms. That is why the comrades should also be able to bring up questions of a personal nature in the talks. Wherever help and support is necessary—whether it involves qualification and further training of the comrade, for example, or solving a family matter—it should be given to them with understanding and attention. It is essential to speak openly to each other about it, to come to terms as comrades, so that existing problems can be solved together.

Good preparation for the talks in the party organizations does not have much to do with lots of paper, with protocols, or even with commissions, but can only be measured by the fact that every comrade is strengthened and motivated by the talks. The better one understands how to make the talks individual and concrete, the more valuable the growth in willingness to fight for the party will be. That is why it will be useful, based on experience, to assign two comrades to hold the talks. As a rule, they should be members of the leadership of the basic organization or the division party organizations. If party groups exist, the party group organizer or his deputy must absolutely be considered, since they know the comrades best from work.

In his speech to the first secretaries of the SED kreis leaderships on 12 February 1988, comrade Erich Honecker emphasized: "The pledge of past as well as future successes is party leadership that is clear about its goal, is closely tied to the masses and has their confidence. It is a political-ideological and organizational activity which proves itself daily, which has a mobilizing effect, which,

as a result of our 70 years of experience as a party, is the proper lever for realizing the high and at the same time real goals of the economic plan with the support of the popular masses, and which always enables us realistically to utilize our own reserves on the spot."

For this pledge the exchange of party documents, being a significant political and organizational task in preparation for the 12th SED Party Congress, will provide additional important achievements for the strengthening of our party, to which all communists, all leading party organs contribute.

The prelude in the basic organizations is the membership meetings in the month of September, at which, based on the directives of the CC, the political task of exchanging party documents will be explained to all men and women comrades, and the measures required for its undertaking will be determined.

The acceptance of the new party documents by the membership meetings of the basic organizations in December 1989, which is to be festively arranged, will be a high honor and obligation for every comrade, firmly linked with the masses, always to give his best for the further realization of the proven policies of our party.

HUNGARY

Draft of New Electoral Law for President, National Assembly, Local Councils

25000284 Budapest M16YAR HIRLAP in Hungarian
3 Jan 89 pp 8-6

[Text] On behalf, and with the approval, of the government, the Ministry of Internal Affairs (in collaboration with the Ministry of Justice) prepared the draft and variants of a law intended to regulate the elections of parliamentary deputies, president of the republic, and council members. The government is aware of the fact that the upcoming elections will play a crucial role in establishing a democratic state based on the law. Accordingly, its members are convinced that the final shape and regulations of an electoral system can be accomplished only as a result of negotiations among the political forces that participate in the elections. It is following such negotiations that the government will initiate the discussion of such laws in the National Assembly. In view of the above, the government authorized the Ministry of Internal Affairs to forward the draft of the proposed law, simultaneous with its publication, to the National Assembly president, as well as to the Endre Bajcsy-Zsilinszky Fraternal Association, the League of Leftist Alternatives, the DEMISZ [Hungarian Democratic Youth Organization], the FIDESZ [Association of Democratic Youth], the National Council of the HNF [Patriotic People's Front], the Independent Smallholders Party, Agrarian Workers and Citizens, the Democratic League of Independent Trade Unions, the Hungarian

Democratic Forum, the Alliance of Hungarian Resistance Members and Anti-Fascists, the Hungarian People's Party, the Hungarian Social Democratic Party, the Ferenc Munnich Society, the Alliance of Free Democrats, the SZOT [National Council of Trade Unions] and the New March Front.

By making the proposed laws accessible to the public, the government also wants to ensure that, in addition to the above mentioned organizations, the entire Hungarian society will have the opportunity to take a position on these crucial issues. When it comes to preparing the final draft, it will certainly expect to hear the views and proposals of citizens and organizations.

ELECTION OF DEPUTIES TO THE NATIONAL ASSEMBLY

Part One. The Franchise

4. The right to participate in elections is universal and equal: elections are direct and secret.

2.1 In the Hungarian People's Republic, the right to participate in elections is the right of every adult citizen of Hungary (hereafter referred to as member of the electorate), with the exception of those who are under care that limits or inhibits their judgement, those who have been legally prohibited from participating in public affairs or those who have been legally sentenced to a loss of liberty or are presently under strict custody.

2.2 Anyone can be elected to any office who has a right to vote and whose permanent place of residence is in Hungary.

2.3 An one who is outside Hungary on election day is prevented from voting.

Part Two

1. Election of Deputies to the National Assembly

Option A

3.1 About 350,000 residents will elect one deputy to the National Assembly.

3.2 In accordance with Paragraph Eight of this law, the national lists proposed by the parties will produce 50 nominees for National Assembly deputies.

3.3 The seats, numbering, and territorial breakdown of electoral districts are contained in the appendix attached to this law.

3.4 The rights and responsibilities of deputies are identical.

Option B

3.1 About 30,000 residents will elect one deputy to the National Assembly.

3.2 Deputies to the National Assembly (hereafter referred to as deputies) will be elected by electoral

districts. In accordance with the provisions contained in the appendix of this law, districts must elect one or more deputies (and are hereafter referred to as single or multiple-mandate districts).

3.3 The rights and responsibilities of deputies are identical.

II. The Nomination

Option 1

4.1 In an electoral district parties or citizens, on a national list, can make nominations (hereafter referred to as party or independent nominees). Two or more parties can jointly make nominations.

4.2 In order to be nominated in an electoral district, an individual must have the support, attested to by signatures, of at least 600 eligible voters. Electors may support one nominee within their district, and they may only accept nomination on either a district or a national list.

4.3 National lists can be proposed by parties that have succeeded in running at least one nominee in a district. Parties may run no more than 50 nominees on their national lists. NOTE: According to another suggested version, national lists can be proposed only by parties that have succeeded in fielding nominees in at least 50 districts.

4.4 Parties that manage to collect 10,000 supporting signatures nationwide may, without having to collect signatures as described in Article 2, field nominee in every district, as well as proposing national lists.

4.5 Nominees on the national list and their supporting signatures must be reported to the National Electoral Presidium, while district nominees must be reported to the local electoral committees, accompanied by the forms described in the appendix of this law.

Option B

4.1 Deputies may be nominated by parties or by citizens (Hereafter referred to as party or independent nominees). Two or more parties can jointly make nominations.

4.2 In multiple-mandate districts the parties make their nominations on lists, which can include only as many nominees as can be elected in the district in question. Independent nominees are listed on separate lists.

4.3 In order to be nominated in a single or multiple-mandate electoral district, an individual must have the support, attested to by signatures, of at least 600 eligible voters. Electors may support one party list or one independent nominee, and they may accept nomination in only one electoral district.

4.4 Nominations and their supporting signatures must be reported to the districts' electoral committees, accompanied by the forms described in the appendix of this law.

5.1 Nominations must be accompanied by the nominee's statement, attesting that a) he/she is eligible to vote, honors the Constitution and accepts the nomination; b) he/she has not accepted another nomination; c) he/she holds no office that is irreconcilable with that of a deputy, or that he/she will resign from such post.

5.2 Nominations must be reported no later than 30 days before the day of election.

5.3 If after reporting the nomination a nominee were to lose his/her right to vote or drop out because of withdrawal or death, the party could make a new nomination no later than 8 days prior to the day of election.

6. The electoral committee will register every nominee who satisfies legal requirements.

III. Determining the Outcome of Elections

Option A

7.1 The district's deputy to the National Assembly will be the individual who receives more than half of the valid votes cast, provided that at least half of the district's voters participate in the election.

7.2 If no candidate receives more than half of the valid votes cast, a second election must be held, in which the two candidates receiving the highest number of votes face each other. The candidate receiving the majority of valid votes cast will become deputy.

7.3 If the first election is unsuccessful because there is no candidate, at least half of the voters failed to participate, or the results were nullified, the election must be repeated in accordance with the provisions included in Article 1.

7.4 If the repeated or second election is unsuccessful, interim elections must be scheduled.

8.1 On a national list, the deputy's post will be given to the individual who, after the first election, has obtained a sufficient number of votes, in accordance with calculations put forth in Article 2.

8.2 The parties failing to obtain mandates in the districts after the first and second casting of ballots must have their votes totaled on a national basis. The number of valid ballots cast for elected deputies must be deducted from the number of valid ballots cast nationwide, and the resulting number must be divided by 50. The parties obtaining a multiple of this number will receive one or more mandates. National Assembly seats remaining vacant after this will be distributed proportionately among the parties that receive the greatest number of votes. In calculating this rank order, however, the ballots cast for winning candidates must not be considered. In cases of equal numbers of votes, the parties will obtain mandates in accordance with the numbering of their lists.

Option B

7.1 In single-mandate electoral districts the district's deputy to the National Assembly will be the individual who receives more than half of the valid votes cast, provided that at least half of the district's voters participate in the election.

7.2 If no candidate receives more than half of the valid votes cast, a second election must be held, in which the two candidates receiving the highest number of votes face each other. The candidate receiving the majority of valid votes cast will become deputy.

7.3 If the first election is unsuccessful because there is no candidate, at least half of the voters failed to participate, or the results were nullified, the election must be repeated in accordance with the provisions included in Article 1.

7.4 If the repeated or second election is unsuccessful, interim elections must be scheduled.

8.1 In multiple-mandate electoral districts, the representative is that candidate who receives the number of votes equal to the ratio of valid votes cast and the number of mandates set for the districts. Seats that are not filled by this method will go to the party that received the largest number of votes. In calculating this rank order, however, the ballots cast for winning candidates must not be considered. In cases of equal numbers of votes, the parties will obtain mandates in accordance with the numbering of their lists.

8.2 If an independent candidate also ran in a multiple-mandate district, the ballots cast for such a candidate would have to be counted first. An independent candidate will become deputy if he/she receives the number of ballots cast (or ratios) necessary to obtain a mandate. In distributing the other mandates among candidates running on party lists, the ballots cast for independent candidates and the mandates thus obtained must not be taken into account, and a new ratio must be established. Subsequently, the results achieved by the party lists must be determined in accordance with calculations applicable to party nominees.

8.3 In multiple-mandate districts, if at least half of the voters do not participate in the election, or if the outcome of election is nullified, a repeat election must be held, in accordance with the provisions contained in Article 1.

8.4 If the repeat election is unsuccessful for the same reason, an interim election must be held.

8.5 Parties having their own lists, or independent candidates, may decide not later than 8 days before the election to merge their lists.

8.6 In the case of joint lists, the parties or independent candidates obtain mandates in proportion to the total number of ballots cast for their lists. No later than 8 days before the election, the parties with joint lists must inform the electoral committees as to the order in which the individual candidates will obtain mandates.

9. After determining the results of the election, the local electoral committee will turn over its letter of commission and a copy of its records to the parliamentary deputies.

Part Three: The Election Procedure

IV. Electoral Meetings

10.1 In order to attract support (as prescribed in Paragraph Four, Articles 2 and 3) and in order to publicize and popularize their programs, the parties and independent candidates can organize election meetings in the electoral districts.

10.2 The election meetings are public, and it is forbidden to disturb the order of such meetings. The organizer of the meeting takes steps to maintain order, in accordance with the provisions of the law concerning the freedom of assembly.

10.3 Signatures supporting nominations may be collected at election meetings or at the offices of the electoral committee, the parties, or the local councils. Next to the signature, the permanent residence and identification number of the signers must be indicated. The collector of signatures is responsible for the validity of signatures. On request, the electoral committee will check the validity of signatures.

V. The Election

11.1 Ballots must be cast in person, at the polling places designated by the voter's permanent residence.

11.2 In order to enable individuals whose movement is inhibited by health reasons to vote, they may request that at least two members of the vote-counting committee visit them.

11.3 Votes may be cast on the day of election, between the hours of 6:00 am and 6:00 pm.

11.4 The vote-counting committee may declare the election closed before 6:00 pm if all registered voters have cast their ballots.

11.5 If local conditions warrant, the electoral presidium may decree the casting of ballots to begin at 5:00 am, while the vote-counting committee may extend the hours until 7:00 pm.

11.6 In order to facilitate documented voting by persons away from their places of permanent residence, the electoral committee in districts of the capital city, in the cities, and in localities that have been declared to be resorts or tourist areas will designate a polling place that will remain open even if all locally registered voters have cast their ballots.

12.1 In order to protect the secrecy of the ballots, every polling place must provide at least two polling booths. The secrecy of the vote must also be ensured in such cases as described in Paragraph Eleven, Article 2.

12.2 Every polling place must have at least two ballot boxes. The boxes must be closed in such a manner that no ballots could be removed from them without breaking the seal or disassembling the boxes.

12.3 Before counting the ballots, the vote-counting committee will examine the condition of ballot boxes and indicate the results of that examination for the record.

12.4 In order to facilitate the casting of ballots, pens must be placed in the polling booths.

13.1 The president of the vote-counting committee is responsible for maintaining order on election day in and around the polling place.

13.2 Measures introduced by the president of the vote-counting committee in the interest of maintaining order are binding for everyone.

13.3 While ballots are cast, no election campaigning is allowed in the polling place. Voters are allowed to remain in the polling place only for as long as it takes them to cast their ballots.

13.4 The polling place cannot be in a building used exclusively by a political party.

14.1 One may vote by using the official ballots.

Option A

14.2 The ballot must display the names of candidates in alphabetical order, along with the names of parties nominating them or their independent designation.

Option B

14.2 In single-mandate districts, the ballot must contain the names of candidates in alphabetical order, along with the names of parties nominating them or their independent designation.

14.3 In multiple-mandate districts, the ballots showing the lists must also display the lists' registry numbers and designations, as well as the name of candidates in the order they were reported by the parties.

Option A

15.1 Votes are valid only if cast for one of the candidates appearing on the ballot, by placing a (+) in the square next to the candidate's name.

15.2 Votes will be declared invalid if they are not cast on the official ballot, or if it is impossible to determine the candidate or the party list for which the vote has been cast.

Option B

15.1 Votes are valid only if cast for one of the lists, independent candidates, or, in single-mandate districts, one of the candidates appearing on the ballot, by placing a (+) in the square next to the party's or candidate's name.

15.2 It does not influence the validity of the vote, and should be ignored, if the order of names within the list is changed, or if one or more names are struck from the list or added to it (fixed list).

15.3 Votes will be declared invalid if they are not cast on the official ballot, or if it is impossible to determine the candidate or the party list for which the vote has been cast.

16.1 Voters cast their ballots in the order of their arrival. They can vote if their names appear on the registry, or if the vote-counting committee has entered their name in the registry.

16.2 The vote-counting committee determines the identity of the voters and their appearance in the registry.

16.3 The vote-counting committee turns away voters who cannot provide suitable identification documents, or those who (because of a lack of documents) have not been entered in the registry. The committee will keep a record of individuals it turns away. Voters thus turned away may vote if they can establish their identities before the closing of the polls, or if they can provide documents (Paragraph Thirty-Five) for the committee.

16.4 If there are no obstacles to voting, a member of the vote-counting committee hands the voter a ballot and, if necessary, explains the method of voting. This explanation may not include campaigning for or against any candidate.

17.1 The casting of the ballot takes place in the polling booth. After this, the voter places the ballot indicating his/her choice in an envelope and, in front of the vote-counting committee, drops it in the ballot box.

17.2 During the casting of the ballot only the voter may remain in the polling booth. However, voters who cannot read or are prevented from casting their ballots due to physical handicap or other reasons may use the assistance of other voters.

17.3 The vote-counting committee indicates the casting of a ballot in the registry.

18.1 After the time established for voting has passed, the president of the vote-counting committee orders the polling place closed. Voters who have arrived at the polling place before this time can still cast their votes. After this, the vote-counting committee terminates the casting of ballots.

18.2 No ballots can be accepted after the close of voting.

19.1 After the close of voting, members of the vote-counting committee open the ballot boxes, compare the number of ballots in the boxes with the number of voters appearing in the registry, and count the valid and invalid ballots, determining which ones in the latter category have been cast for the various candidates.

19.2 The vote-counting committee prepares a record of its work in two copies, and each of the members present sign them.

19.3 The president of the vote-counting committee forwards one copy of the records, along with the documents and forms related to the election, to the local electoral presidium. After 30 days he will turn the other copy of the records over to the archives.

20.1 Based on the records of the vote-counting committees, members of the electoral presidium total the number of votes cast and determine the results of elections in the district. A record of their findings, signed by members of the presidium, will be forwarded to the National Electoral Presidium, with a copy turned over to the archives after 30 days. Each of the candidates in the district will receive a copy of this record.

20.2 Within 3 days after the election, candidates or their representatives may examine the documents containing the details of the election results at the offices of the regional electoral presidium.

VI. The Electoral Bodies

21. The electoral bodies are the citizens' independent organs, answerable only to the laws, whose primary responsibilities are to preserve the cleanliness of elections, ensure impartiality, oversee legality and, if needed, reestablish the legal order of elections.

22.1 The electoral bodies are: the vote-counting committees, the districts' electoral presidia, and the National Electoral Presidium.

22.2 The work of electoral bodies is aided by advisory work groups.

23.1 Only citizens eligible to vote may be members or presidents of electoral bodies.

23.2 Electoral bodies can be presided over only by individual voters who are not members of any party.

23.3 Candidates, secretaries of the local council's executive committee, or members of the advisory working group cannot be members of electoral bodies.

23.4 While in operation, the electoral bodies are to be considered organs of authority and their members official persons.

24. Electoral bodies operate as deliberative bodies. The validity of their decisions depends on the presence and the affirmative vote of the majority of members. In cases of a tie vote, the vote of the president is decisive. Dissenting opinions, along with their arguments, will be recorded. Electoral bodies are represented by the president or by a person designated by the president.

25.1 The presidents and secretaries of the vote-counting committee are chosen by the local councils. Members of

the vote-counting committee are nominated by the parties that field candidates in the district, or by the independent candidates. The parties may jointly nominate members.

25.2 The presidents, secretaries, and members of the electoral presidia are selected by the county councils; those of the National Electoral Presidium by the National Assembly.

25.3 Electoral presidia must be formed within 10 days after the elections are scheduled, and the vote-counting committees at least 30 days before the election.

25.4 Members of electoral bodies take an oath before the council presidents or the president of the National Assembly.

25.5 The names of members of electoral bodies, as well as the address of their offices, must be published in the customary manner in the official organ of the local councils; the data of the National Electoral Presidium must be publicized in the *MAGYAR KOZLONY*.

25.6 The tenure of electoral bodies is the same as that of the National Assembly.

25.7 The president and members of electoral bodies end their tenure when: (a) legal preconditions of said tenure cease to exist (See Paragraph 23, Articles 1-3); (b) they resign; (c) their appointment is withdrawn on account of unsuitability; (d) due to the redrawing of district lines, the councils selecting members of the electoral body cease to exist.

26. Electoral presidia and the National Electoral Presidium are legal entities.

27.1 A vote-counting committee must have at least three members.

27.2 The duties of the vote-counting committees are: (a) to conduct the elections, ensuring the legality and order of the ballot casting process; (b) to decide on contested points that arise in the course of the election; (c) to determine the local results of the election.

28.1 The electoral presidium of electoral districts consists of at least five members.

28.2 The electoral presidium: (a) registers the candidates and rejects nominations that fail to satisfy legal requirements; (b) settles debates concerning signatures in support of candidates and cases of identification for the purpose of voting; (c) publishes the names of the district's candidates; (d) establishes legal conditions for the operation of the vote-counting committees; (e) determines the results of elections in the electoral district; (f) makes decisions in cases when objections are raised against the measures of the vote-counting committee; (g) issues mandates to deputies; (h) conducts interim elections and publishes their results.

29. The National Electoral Presidium: (a) establishes legal conditions for the operation of electoral bodies; (b) issues calls for reporting nominations; (c) publishes the preliminary and final results of elections for members of the National Assembly; (d) announces the date for second elections (usually 14 days after the first election) and the date of interim elections; (e) makes decisions concerning objections raised against the work of electoral presidia; (f) reports to the National Assembly concerning elections; (g) holds public lottery to assign numbers to the various party lists (valid for Option A); (j) based on Paragraph Six, Article 2, determines which candidates from the national list become deputies (valid for Option A); (k) holds public lottery to assign numbers to the various party lists in multiple-mandate districts (valid for Option B).

30.1 Each electoral body will have an expert advisory group assisting it in the organization, administration, technical preparation, and conduct of elections.

30.2 Members of the expert advisory working group working with the vote-counting committees will be selected by the secretary of the local council's executive committee; those working with the electoral presidia by the secretary of the county council's executive committee, and those working with the National Electoral Presidium by the minister of internal affairs. Before they are appointed, the experts take an oath.

VII. Polling Precincts

31.1 Within ten days after elections are announced, polling precincts must be designated.

31.2 The number and regional distribution of polling precincts is determined by the local council's executive committee, in a manner that 600-1,000 voters be assigned to a polling precinct, but each community should have a precinct. If there is more than one polling precinct in a community, they will be assigned numbers. At the request of individuals under lasting care or medical treatment, as well as those inducted into the armed services or those who are held in custody without legal sentence, precincts should be established in order to facilitate voting by presenting identity papers (Paragraph Thirty-Five.)

VIII. Voter Registration

32.1 Within 30 days after elections have been announced, the National Office for Population Registry will compile and forward to the local councils a registry of voters, as well as a list of adults without voting rights.

32.2 Those citizens of Hungary whose permanent residence is in the electoral district and who reach 18 years of age no later than the day of the election, or become adult by becoming married, must be entered into the registry.

32.3 The registration of voters must be executed in such a manner that a match be established between electoral

district, electoral precinct, and voter. The registry is validated by the secretary of the local council's executive committee.

32.4 Forty-five days before the day of the election, the electoral presidium publishes an announcement concerning the date of the election and the registration of voters.

32.5 The registry of voters must be made available for public scrutiny for at least 8 days in the offices of the local council, and this fact must be announced in accordance with local practice.

32.6 Simultaneously with the display of registry, each voter must be notified in writing, indicating his/her electoral district, election precinct, the address of the polling place, and the date of the election.

33.1 When it comes to someone being omitted from or entered into the registry, during the period when the registry is on public display, the voters may raise objections to the secretary of the local council's executive committee.

33.2 No later than the day following their receipt, objections considered to be groundless must be turned over to the local courts, and in Budapest to the Central Circuit Court of Pest County.

33.3 The courts will treat the objections as nonlitigating matters; using jurors and, if necessary, listening to the parties involved, they will bring their judgement within 3 days after the objections are received. If they find validity to the objection, they will order the correction of the registry; otherwise, they will reject it. There is no appeal to the court's decision.

33.4 The courts will notify the secretary of the local council's executive committee, as well as the complainant, concerning their decision. If the courts order someone removed from the voters' registry, they must notify that person as well.

34.1 The secretary of the local council's executive committee will enter into the registry any voters omitted from said registry. The voter must be notified of this, as prescribed in Paragraph Thirty-Two, Article 7.

34.2 The secretary of the local council's executive committee will strike from the registry the names of those who in the meantime have died, lost their right to vote, appeared in the registry of another district, or will vote in another district by presenting the proper identification.

34.3 Fifteen days before the date of the election, the modified registry must be placed on public display in the council's offices for 3 days.

35.1 If the voter changes his/her permanent residence after the registry has been prepared, he/she may request the secretary of the local council's executive committee, or the vote-counting committee, at the new address to enter him/her in the registry of voters. Such requests

must be filed with a statement by the secretary of the council's executive committee at the former residence, affirming that the voter has been entered into the registry.

35.2 Voters who are away from their place of permanent residence on the day of the election may, by presenting supporting documents prepared by the secretary of the council's executive committee at his/her permanent residence, request the secretary of the committee at his/her temporary residence, or the place where he/she will be on election day, to enter him/her in the registry of voters.

35.3 When issuing documentation referred to in Articles 1 and 2, the secretary of the local council's executive committee will strike the voter from the local registry. Based on information provided by the voter, the document should indicate the temporary residence at which the voter wishes to cast his/her ballot, and this should also be entered in the registry. The voter must certify receipt of this documentation by his/her signature. Based on this documentation and the voter's personal identification papers, the secretary of the council's executive committee at the new address, or the vote-counting committee, will enter the voter's name in a special registry. The documentation must be retained among the papers related to the election.

IX. The Openness of the Electoral Process

36.1 The operation and activities of electoral bodies is open to the public. Similarly, data and facts used by the electoral bodies cannot be made classified.

36.2 On election day, electoral bodies are forbidden to reveal the partial results of the election before 6:00 pm.

36.3 The electoral presidium will issue to the local press and electronic media reports concerning the election's announcement, the candidates, the displaying of the voters' registry, the distribution of electoral districts and precincts, members of electoral bodies, the date and method of casting ballots, the results of the election, and the possible nullification of election results.

36.4 Electoral bodies are obliged to make sure that voters are generally informed about the clauses of election regulations and the methods of voting, and that the voters' inquiries are answered.

37.1 Representatives of the press need no special permission to witness the operation of electoral bodies, but they cannot interfere with their work.

37.2 The press is obliged to publish election-related announcements with the indication "Paid Political Advertisement."

37.3 The Hungarian Telegraph Office [MTI], Hungarian Radio Service, and Hungarian Television Service are obliged free of charge to air at least once the election announcements of all parties fielding candidates, according them equal treatment and no later than the

day before election day. Local studios must accord the same treatment to the election programs of all candidates in the district.

37.4 During the 30 days preceding election day, Hungarian Radio Service and Hungarian Television Service must accord equal treatment to the parties and organizations fielding candidates in their news announcements, and their reports must deal with them in accordance with the number of candidates they field.

37.5 On the final day of election rallies, Hungarian Radio Service and Hungarian Television Service must air election summaries, prepared by the parties, giving each of the parties equal treatment and length of time. It is forbidden to comment on these summaries.

37.6 During the 8 days immediately before election day, it is forbidden to publicize the results of public opinion surveys related to the elections.

37.7 Programs describing election programs, rallies, and press releases must be concluded no later than 30 hours before the polling places open.

37.8 The volume and utilization of state and other monies and material support must be disclosed in the press.

X. Legal Recourse

38.1 Voters, unaffiliated candidates, and representatives of parties nominating candidates may file complaints of infringements against the electoral laws or concerning the activities, decisions, or omissions of electoral bodies.

38.2 Complaints about decisions made by the vote-counting committees (Paragraph Twenty-Seven, Article 2) will be adjudicated by the regional electoral presidium within 3 days. Complaints about decisions made by the electoral presidia (Paragraph Twenty-Eight, Article 2) will be adjudicated by the National Electoral Presidium within 3 days.

39. The Electoral Presidium's dismissal of a complaint may be appealed to the local courts operating at the county seats or, in the capital city, at the Pest County Central District Court.

40. Decisions made by the National Electoral Presidium may be appealed at the Supreme Court.

41.1 An electoral presidium's decision to dismiss a complaint may be appealed within 3 days at the same presidium, which will turn it over to the local courts, together with all documents and its own statement, no later than the day after its receipt. The courts will treat the complaint as a nonlitigating matter; using jurors and, if necessary, listening to the parties involved, they will make their judgement within 3 days after its receipt.

41.2 In the event of a well-founded complaint, the courts will determine that the laws have been infringed upon, and will order the cessation of the practice. If the

infringement substantially influenced the outcome of the election, the courts may nullify the outcome, and order the repeat of the election or its affected portion.

41.3 The courts will reject unfounded complaints.

41.4 The electoral presidium and the individual who filed the complaint will be notified of the court's decision the day that decision is made. The court's decision cannot be appealed.

42. Procedures conducted on the basis of this subsection bear no influence on procedures connected with infringements against the order of elections (Paragraph 211 of the Penal Code.)

XI. By-Elections

Option A

43.1 The National Electoral Presidium will announce interim elections in the electoral districts either in accordance with Paragraph 7, Article 4, or within 3 months after the mandate of a deputy has lapsed. Such interim elections must be held within 3 months of their announcement.

43.2 If a deputy appearing on the national list loses his/her mandate, his/her place will be taken by the next candidate appearing on the national list. The new deputy's party will report the change to the National Electoral Presidium.

Option B

43.1 In single-mandate districts, the National Electoral Presidium will call for interim elections in accordance with Paragraph Seven, Article 4, or within 3 months after the deputy's mandate has lapsed. Such interim elections must be held within 3 months of their announcement.

43.2 In multiple-mandate districts, the National Electoral Presidium will call for interim elections in accordance with the provisions of Paragraph Eight. If a deputy's mandate were to lapse, the National Electoral Presidium would call for interim elections within 3 months if the deputy in question was unaffiliated or if such election is requested by the party on whose list the deputy was elected.

NOTATION: (1) As part of the constitutional revision process, it will also be necessary to regulate the interim elections occasioned by the lapsing of mandates. (2) Another possible solution is for the next candidate on the list to occupy a vacant legislative seat. (3) Regulations designed for regular elections must be used in connection with interim elections as they are applicable.

XII. Closing Regulations

44.1 Expenses associated with tasks involved in preparing and conducting elections (personal and material costs, the operation of electoral bodies, the production and distribution of lists and forms, telecommunication

etc.) will be covered from the national budget to the extent determined by the National Assembly, which will be informed of the money's use by the National Accounting Office.

NOTATION: If the National Accounting Office is not established by the next election, the same function will be fulfilled by the National Assembly's Planning and Budget Office.

44.2 Every party that fields a candidate in the electoral district will receive a subsidy from the national budget in proportion to its membership.

44.3 When it comes to the amount of subsidy spent by parties on elections, the laws regulating the economic management of parties must be applied.

44.4 The national budgetary organs may provide the necessary facilities, under equal conditions for all parties, for the purposes of holding campaign rallies or collecting supporting signatures.

45. Attachments to this law define: (a) the form of ballots; (b) the form of petitions collecting signatures for candidates; (c) the form of recording election records for the precincts and districts; (d) the text of the oath administered to members of the electoral bodies and expert advisory working groups; (e) the structure of information services forecasting election results.

46. Organizing and technically conducting the national functions of elections come under the authority of the minister of internal affairs, who must report on his activities to the first session of the National Assembly. The dates of deadlines referred to in this law must be fixed in a decree issued by the minister of internal affairs and published by the press.

47.1 Electoral, administrative, and judicial procedures connected with elections involve no administrative fees.

47.2 The valid results of elections must be published in the *MAGYAR KOZLONY*.

48. This law will go into effect on the day when a general election for parliamentary deputies will be announced.

Paragraph 49: Interim Regulation

49.1 The 1989 interim parliamentary elections, and the election of council members (unless altered by the passage of another law), are to be regulated by 1983:III as amended by 1989:XI.

49.2 Provisions of law 1989:IX, as well as those provisions of law 1983:III that refer to parliamentary elections, will become invalid on the day after the final results of the interim parliamentary election are disclosed.

ELECTION OF THE PRESIDENT AND VICE PRESIDENT OF THE REPUBLIC

Based on Paragraph Thirty-Two, Article 2 of the modified Constitution, the National Assembly establishes the following laws to govern the election of the president and vice president of the republic.

1.1 Candidates for the posts of president or vice president of the republic may be nominated by any party or party alliance, or directly by the voters, with 30,000 signatures supporting the nomination.

1.2 Nominations, along with the supporting signatures, must be reported to the National Electoral Presidium.

1.3 The above reports must be accompanied by the nominees' statements certifying that: (a) they have the right to vote, they respect the Constitution, and they accept the nomination; (b) they hold no conflicting office, or would resign such office in the event of their election;

1.4 The National Electoral Presidium will register every nomination that meets all legal requirements.

2.1 President of the republic will be the candidate receiving more than half of the valid ballots cast, provided that more than half (two-thirds) of eligible voters participate in the election.

2.2 If none of the candidates receive more than half (two-thirds) of the valid ballots cast, a second election must be held.

2.3 Participating in the second election will be the two candidates who received the most votes. President of the republic will be the candidate receiving the majority of the valid ballots cast, provided that more than half of eligible voters participate in the second election.

NOTATION: Unlike in the case of parliamentary elections, it is advisable to prescribe a participation by half of the voters.

2.4 The election must be repeated if at least half of the voters do not participate in the election, or if the results are nullified.

2.5 If repeated first or second elections are unsuccessful, the National Assembly will hold new elections.

3. Vice president of the republic will be the individual nominated to occupy that post next to the president.

4. On the day following their election, the president and vice president of the republic will receive their mandate from the National Electoral Presidium.

5. When it comes to the eligibility to vote and the election procedure, the regulations concerning parliamentary elections must be applied.

6. This law will take effect on the day when elections for the office of the president of the republic are announced.

ELECTION OF LOCAL COUNCIL MEMBERS

The National Assembly introduces the following regulations applicable for the election of local council members

1.1 Members of local councils are elected in individual electoral districts

1.2 The local councils determine the number of electoral districts between 5 and 115. The electoral districts should be established in such a manner that approximately equal numbers of voters elect one council member.

1.3 In cases of joint councils, the community's voters should elect council members in proportion with the population, but not less than one

2.1 Any ten voters whose permanent residence is within the electoral district, and any social organization, may nominate an individual to be a council member

2.2 Nominations must be reported to the local electoral presidium.

2.3 Nominations must be accompanied by the signatures supporting the candidate and by the nominees' statements certifying that they have the right to vote, they respect the Constitution, and they accept the nomination.

2.4 The local electoral presidium will enter into the registry any nomination that does not conflict with the law.

3.1 Council members will be those individuals who receive more than half of the valid ballots cast, provided that more than half of the eligible voters participate in the election.

3.2 If none of the candidates receive more than half of the valid ballots cast, a second election must be announced.

3.3 The two candidates receiving the most votes participate in the second election. Council members will be those individuals who receive more than half of the valid ballots cast, provided that more than half of the eligible voters participate in the second election.

3.4 The first election must be repeated if there were no candidates, at least half of the voters failed to participate in the casting of ballots, or if the outcome of the election was nullified. In this case, the election must be conducted in accordance with Article 1.

3.5 If the repeated first or second election turn is unsuccessful, interim elections must be called

4.1 In communities with less than 2,000 residents, the local council may decide that council members be elected on a list, instead of the way described in Paragraph One, Article 1.

4.2 The list may contain more candidates than the number of council members to be elected.

4.3 Council members will be those candidates who receive the greatest number of votes in descending numerical order.

4.4 In cases of equal numbers of votes, if one candidate would have become a council member, the voting must be repeated.

4.5 Ballots that contain more "+" marks than the number of council members to be elected are invalid.

5. The mandate of a council member ends: (a) if the council is disbanded; (b) if the member resigns; (c) if the council member loses his/her right to vote; (d) if the council member dies.

6.1 A local electoral presidium operates in the district of the local council.

6.2 If the local electoral presidium dismisses a complaint, appeal can be made to the local courts, in Budapest to the Pest County Central District Court.

6.3 The day after the election, the local electoral presidium forwards the letter of mandate to the council members.

7. The regulations prescribed for the election of parliamentary deputies must be applied concerning the right to vote and the process of election.

8. Paragraph Twelve, Article 1 (c) of Law 1971:1 concerning the local councils (hereafter: the Law on Councils), is to be replaced by the following passage: (On the organization and operation of councils:) (c) determines the number of members for the executive committee, elects the president and vice president of the council as well as the members of the executive committee, appoints (for an indeterminate period) the secretary of the executive committee and the directors of specialized branches.

9. Paragraph Thirty-Five, Article 3 of the Law on Councils is to be replaced by the following passage: (Article 3) A village meeting is usually called by the council; in organizing and conducting the meeting the council will collaborate with the local social and residential organizations.

10. Paragraph Thirty-Six, Article 2 of the Law on Councils will be replaced by the following passage: (Article 2) Regulations concerning the election of council members are determined by the law concerning the election of council members.

11. Paragraph Fifty-One, Articles 1 and 5 of the Law on Councils are replaced by the following passage, and will be augmented with Article 6: [passage illegible]

11.5 The post of president of the local council may also be filled by social appointment.

11.6 In the event the president or vice president of the local council is not a council member, they will become council members with their election.

12. Paragraph Fifty-Two, Article 1 of the Law on Councils is replaced by the following passage: In electing the president or vice president of councils for the capital city or for the counties, recommendations can be made by council members, local councils, and social and residential organizations operating in the capital city or in the county. These recommendations will be proposed to the council by the nominating committee made up of council members. The election must be approved by the Council of Ministers. In relieving the president or vice president of councils in the capital city and in the counties, recommendations may be made by members of the capital city or county council. In the event a non-member of the council is elected president or vice president, they will become council members with their election.

13. Paragraph Twelve, Article 1 (a) and (b), Paragraph Thirty-Nine, Article 1 and Article 1 of Paragraphs Forty and Fifty-Nine of the Law on Councils will become null and void.

14.1 Regulations concerning the Patriotic Peoples Front, contained in Subsection XII (the election of council members in the capital city and in the counties) of Law 1983:III (on the election of parliamentary deputies and council members), are hereby declared null and void.

14.2 Subsections XI (the legal situation of deputies and council members in the event of changes in districts) and XIII (the election of council members in the capital city and in the counties), contained in law 1983:III as modified by 1989:XI concerning the election of parliamentary deputies and council members, are hereby declared null and void.

14.3 The National Assembly gives joint authorization to the Ministries of Internal Affairs and Justice to publish the official text of regulations concerning the election of council members in the capital city and in the counties.

14.4 This law will go into effect on the day the general election of council members is declared.

POLAND

Paszynski Outlines Roundtable Alternative Housing Program

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[Interview with Aleksander Paszynski, senator, economist, chairman, Housing Commission, Citizens' Committee, by Tomasz Janowski: "A Difficult Road": date and place not given]

[Text] [ITD] I am turning to you as the head of the Citizens' Committee housing commission under the

NSZZ Solidarity chairman and the author of the alternative housing program which to a great extent has become the basis for agreements in the sphere of the "housing subtable" during the roundtable deliberations. However, first and foremost, I am turning to you as one of those waiting in line for housing for whom the practical consequences of the proposed solutions are of greater interest than the general assumptions. I would like to know what I can count on under the new conditions.

[Paszynski] I will try to explain this, even though, it is difficult to translate something that constitutes a certain model concept into a language of specifics and present it in the form of practical advice as to what should be done especially when this concerns an area in which neglect resulting from 40 years of failures of the existing housing policy are so overwhelming that it is impossible to change anything overnight. Only one thing is certain—waiting for a so-called godsend will not take care of anything in the present situation. Fundamental changes affecting three basic elements: space, money and building material are necessary.

[ITD] Today, the lack of building sites appears to be the most serious obstacle.

[Paszynski] In Warsaw, at least in the immediate future, this will continue to constitute a serious problem. Of course, this does not mean that there are no building sites whatsoever in the capital. They do exist but they are tied up by large cooperatives and by work establishments which plan to build there in the future. There are many open spaces, empty lots in the center of the city that for many years have been excluded from development because they are reserved for distant, frequently only generally outlined goals. I believe that the introduction of steep charges for holding these sites will result in that this year yet, a significant, although, undoubtedly still not sufficient number of them will be turned over for development. If the chances for obtaining building sites grow, then I believe the remaining obstacles will not be as severe.

[ITD] Financial ones as well? Building, regardless of the principles that apply is becoming more and more a game for the wealthy. And none of the systems of credit giving have been able to change this thus far.

[Paszynski] Thus, in accordance with the agreements reached at the roundtable, the development of a system, that would assure everyone the possibility of obtaining credit enabling the coverage of the full cost of building reduced only by the essential personal outlay set at 10 to 20 percent should begin this year yet. In addition, credit could be obtained for the purchase of a lot. Of course, this full coverage would apply to the cost of a basic surface area which will most likely come to approximately 80 m². This system is to include all forms of construction. Thus, money will cease being an impediment for many. Naturally, the credit will not be free but

it will have a low enough interest rate to constitute significant assistance at the present rate of inflation.

[ITD] Where will the money for this credit come from?

[Paszynski] In keeping with the assumptions of the alternative housing program, the basis for the new system of financing should be the Housing Management Bank whose accounts should assemble all types of resources allocated for housing purposes. According to the agreements reached at the roundtable, such a bank or perhaps network of banks should become a reality this year yet. Of course, the bank alone will not solve anything but a sensibly thought out tax system should assure a wide channel for the inflow of resources into this bank. I would, for example, like for the funds allocated for housing purposes and deposited in this bank to be tax exempt. This should apply to private individuals as well as to enterprises of all kinds. This means that the money invested in our bank would bring twofold advantages: not only exemption from taxes but also additional profit in the form of interest or dividends. We are not coming out with anything new—this is a proven solution in other countries.

[ITD] And what guarantee is there that these funds will really be appropriated for housing construction and not, for example, for subsidizing mines or steel-plants?

[Paszynski] The bank is to be the guarantee that no one will steal public money set aside for housing. And this is what is happening today in the PKO, for example: Parents open housing accounts for their children and have no control over what this money is used for. That is why the bank is to be public in nature—it will be a joint stock company. Representatives of the currently forming Housing Reform Society, which would protect the interests of private investors, i.e., all of us, should, for example, have a strong representation on its board of directors. Such a socialized bank would not only amass funds but would also support and provide credit for these endeavors which would multiply our construction possibilities. For example, by supporting enterprises that would buy out tracts of land, develop them, prepare the architectural and urban plans and only then sell the lots ready for building. Owing to this, the purchase deed would be synonymous with the permission to build. Furthermore, other enterprises could also form around such enterprises that would, for example, offer prepared concrete on the building site so that the interested parties would not have to run around for a bag of cement to the surrounding construction sites. Therefore, what matters here is to create an entire system which does not exist, at all, today.

[ITD] The interest rates on the credit for construction are to be low. In that case, how will this housing bank survive?

[Paszynski] Naturally, there is something like the cost of credit. In the event that the interest on housing credit would be lower than its service costs, the state should compensate for the losses from public funds. The same

thing applies to bank losses arising from inflation. This is a policy matter. If we are to talk of supporting construction, then money for this purpose has to be found. I can also see how credit interest will take into account the financial means of family budgets. Specifically, as a result of negotiations between trade unions, construction companies, and the state, there should be a set upper limit for the allowable family budget burden for housing expenses. It will, of course, change depending on one's earnings and if we are to assume, for example, that this burden cannot exceed 10 percent of the family income, then the credit interest must be worked out in such a way that its repayment together with the housing expenses would not exceed the said 10 percent.

[ITD] However, in this way, the success of the entire program will depend on whether the state will fulfill its obligations. Meanwhile, you have been presenting your program under the banner of "society taking the housing construction issue into its own hands"?

[Paszynski] Yes. However, telling the public in the present circumstances that they should build housing by themselves is like letting people out into the woods. The alternative construction program, therefore, encompasses a compact set of proposals that make up the new legal-organizational system. This is the state's task and it is not a question of releasing it from this obligation but rather of the division of tasks. The state should do what no one is capable of doing by himself—create conditions in which the entire game of building would be possible.

[ITD] And give money, after all?

[Paszynski] Yes, but this follows solely from the fact that our earnings are such as they are. Such a problem does not exist anywhere in the world because, out there, almost everyone is able to afford the actual cost of housing. In our country, it has been said for years that we make little but instead receive many things for free or almost for free. Among other things, housing. However, since this housing is to cost us, then either the state should make possible proper remuneration for work performed or, by squeezing us financially in this way, it ought to distribute the thus obtained funds in a different manner.

[ITD] Thus, the difference is to be based on the fact that the money, which thus far the producers-construction industrial groups had been receiving in the form of subsidies, is to now make its way into the pockets of private investors including the individual Kowalskis and Nowaks?

[Paszynski] Precisely. After all, we are not children and know that nothing is free. Everything has its price. Only the method of payment changes. The difference being, however, that the one that had been used thus far was, at the same time, tied to extreme wastefulness because huge inefficient state and cooperative institutions were being subsidized which were not subject to any social control.

[ITD] Where is the state to acquire the money for the credit?

[Paszynski] It was agreed at the roundtable that the share of public funds in the money directed toward housing construction will be doubled and will come to approximately 7 percent of the national income and 20 to 25 percent of the state's capital investment expenditures.

[ITD] Everything sounds promising. However, it is based on financial assistance from the state. We were promised all kinds of things many times already and then the government representatives would lift up their hands saying: "We cannot afford this."

[Paszynski] This complaint should be directed toward the authorities. Premier Rakowski's program declarations spoke clearly of the primary importance of the housing issue and this is also what the agreements at the roundtable were based on. And since that is the case, then such an explanation cannot be accepted. If it turns out that the negotiated housing stipulations exceed the capabilities of the economy and the drafted changes in the economic policy turn out to be insufficient, in my opinion this means only that more radical changes should be made in this policy. After all, this is only a question of the accepted range of expenditures for production investments, for the reinforcement complex, for administrative expenses, etc. The state must simply make a choice.

[ITD] I must admit that so far you have not succeeded in inspiring me with optimism. What guarantees do we have that the housing priority will not turn out to be merely fiction?

[Paszynski] It is true that for the time being we are constantly moving in a sphere of conjectures, hopes and promises. However, it seems to me that today there are considerably greater chances for this new social agreement not to share the fate of the August agreements when Deputy Premier Jagielski without blinking an eye signed a pledge in the name of the government that in a matter of 5 years, every Polish family would have a separate apartment. Of course, such a possibility cannot be ruled out. However, I feel that the opposition side is much more experienced today and knows that a signature alone cannot take care of anything and that there must be a system of social control and pressure. One of the elements of this system should be the aforementioned Housing Reform Society—a social, independent representation of hundreds of thousands of decentralized investors which on the one hand would participate in negotiations with the government and on the other hand would supervise not only the government but also the local authorities as well as the financial records of the entire housing complex.

[ITD] Let us assume that there will be lots to build on; that there will be money for credit—still, it is not enough to speak about normalcy. Up to now, the alternative construction movement acted on the premise of "do it yourself." The acquiring of one's own apartment in this

way was tied to foregoing one's professional aspirations for several years and frequently normal family life as well. I dream of a situation in which I can make enough for this personal outlay by working in my profession, obtaining credit and since we are saying that an apartment is to become a commodity—I would simply buy it from a specialized firm for which the "production" of such a commodity would become profitable.

[Paszynski] Undoubtedly, although, not right away, something will develop that we can call a housing market. Even today, if someone has a plot of land, our firm (Murator) can offer some kind of house in three variants: building instructions only plus the design plan; instructions along with delivery of building materials and finally, a finished house ready to occupy. I feel that such offers will increase whereas financial means will determine the choice to be made.

[ITD] I fear only one thing: that with an unsaturated housing demand, this will become a producer's market in which he will dictate prices that neither the credit system nor, all the more, our pockets will be able to withstand.

[Paszynski] Today's so-called free market, totally outlandish prices for apartments come about from their [housing-apartments] scant supply and this problem cannot be sensibly resolved to the end as long as there will not be a relative abundance of housing.

[ITD] A normal market also means the opportunity to rent an apartment for a price that corresponds to a portion of and not several times the monthly wages and on reasonable terms.

[Paszynski] Today's credit system allows for the creation of firms that would build houses or apartments for rent or for sale. There still remains the issue of regulating rent because, again, with an unappeased demand some sort of control will be necessary. In my opinion, the point of departure should be normal rent for an apartment in a housing development.

[ITD] For there to be a relative abundance, there has to be something to build with. And there are problems with this also.

[Paszynski] Here again the solution should depend on the distribution of responsibilities between the state and the public. In the case of basic building material such as brick, hollow brick, fixtures, etc. their abundant supply ought to be ensured by considerable and permanent tax credits for manufacturers. This was done in Greece and in a matter of 5 years, that country doubled its housing supply. In this way also we will release the state from the responsibility of taking care of trivial matters which can be done by private producers. On the other hand, the provisions of the roundtable stipulate that the industrial restructuring fund, the housing fund and the technological progress fund will be used in full for the development of materials, and equipment production which no one but state plants can manufacture in our present circumstances, e.g., cement, steel, gas stoves, etc. Should

such a system take hold, visible improvement should occur relatively quickly in this field.

[ITD] Do you, therefore, believe in our building self-sufficiency?

[Paszynski] The field of housing construction is the most primitive area of technology. In essence, not much has changed here in relation to the 19th century or the beginning of the present one. And we really do not have to invent anything or buy licenses. Our country is also not lacking in raw materials; we are a world power in cement and there is no reason for its shortage. After all, our inefficient and heavy construction uses up barely 3 to 4 percent of steel. The situation is similar with other basic materials. Of course, it is always possible to find dozens of problems but in this field, there really are no objective hindrances that would sentence the country to housing poverty!

[ITD] It is said that the cheapest energy is the kind that is conserved. There are many similar reserves in the already existing resources of the economy. In the meantime, despite several improvements to the housing legislation, Poles continue to be assigned to housing as feudal peasants were assigned to land.

[Paszynski] I anticipate that this year yet, another amendment to the housing law will be made which will finally eliminate the obstacles that make it difficult to, for example, change allocated or cooperative living quarters. In addition to this, rent should be set on a level of the real cost of maintaining an apartment or house and this should also determine and prompt a change in living quarters. Today, for example, an elderly man keeps his old 100 m² apartment because it is less expensive than a bachelor flat in the new housing developments. Thought should be given to economic incentives for those exchanging apartments or rather some sort of supplement to be paid to those who give up larger apartments rather than penalizing them with charges for excessive space in their living quarters. Finally, in the case of old houses, which the state is not able to maintain, their private ownership should be initiated on a broad scale.

[ITD] We talk about a vision of new housing law and order. However, for the time being, the old law and order continues to dominate of which we are reminded by the hundreds of thousands on the waiting list. What about these people?

[Paszynski] We have adopted what I would call a decent solution. Namely, the provisions of the roundtable guarantee everyone, who does not believe in this new order and is a member of a housing cooperative or has the right to be one because he has accumulated the required deposit on his housing account book, that they will obtain an apartment under the current rules, although during a difficult-to-determine time frame.

[ITD] Does this mean that the large housing cooperatives, the so-called giants, will be maintained?

[Paszynski] The government has taken on the responsibility of eliminating the legal barriers that cause these giants to be prospering splendidly up to this time. Therefore, conditions for breaking them up will develop so that they may return to their genuine cooperative form. Human initiative will determine whether we will take advantage of this opportunity. I believe that we are doomed to look for new solutions. The 40-year experience has proven that the thus far seemingly more agreeable concepts together with that most idealistic one which assumes that the state will give to everyone for free—are beautiful visions but totally unrealistic. Undoubtedly, many difficulties, pitfalls and doubts await us but surely there is no point whatsoever in holding on to that which exists.

Chair of New Social Conciliatory Commission on Tasks, Makeup

26000617 Warsaw TRYBUNA LUDU in Polish
24-25 Jul 89 p 3

[Interview with Maciej Dubois, chair, Social Conciliatory Commission, by Jan Brodzki: "In the Spirit of the Roundtable Settlements: The Route to Returning"; date and place of interview not given; first paragraph is TRYBUNA LUDU introduction]

[Text] As we have already reported, on 13 June 1989 Minister Jozef Oleksa, who handles trade union issues in the Council of Ministers, appointed Comrade Maciej Dubois, long term dean of the Warsaw Advocates' Council, to the position of chairman of the Social Conciliatory Commission. This appointment was made after opinions were solicited from national interunion organizations and national trade unions.

[TRYBUNA LUDU] Comrade chairman, please remind our readers of the origins of the establishment of the Social Conciliatory Commission.

[Dubois] Taking a very general look, the appointment of this commission emanated from the aim of participants in the roundtable discussion to ensure the possibility of a return to work and to guarantee the continuity of work for those individuals who were let go from socialized plants because they belonged to trade unions or because they conducted union activity during the period of their suspension, or conducted it in a manner not in accordance with the regulations of the 8 October 1982 law on trade unions. These aims were expressed during the course of the deliberations of various groups, subgroups and working groups and were concretized in a position paper prepared by the Group for Union Pluralism Affairs. I believe the settlements that were arrived at to be an important element of understanding. They contribute fundamentally to opening the road to the constructive cooperation of all forces dependent upon the achievement of stabilization in social life and on the cooperative recovery of our economy. That is why I am pleased that the previous term's parliament transformed the aims stated in the position paper into a normative

document, the 24 May 1989 law on specific rights of certain persons to resume work relations. The task of the commission I head is to ensure the proper implementation of the labor regulations outlined in the law.

[TRYBUNA LUDU] Specifically, what period do the regulations of this law cover?

[Dubois] From 13 December 1981 up to and including 9 April 1989.

[TRYBUNA LUDU] The law stipulates that if interested parties with whom work relations were dissolved for the previously noted reasons would like to resume them, they may express their intention in writing to the plant management by 31 October 1989. The plant should employ them in accordance with their qualifications and occupational experience. However, if it denies their request (and this denial must be expressed in written form), if a quarrel arises, the interested parties may appeal to the Social Conciliatory Commission. Its hearing will be final. If the commission rules in favor of the employee, the plant is obliged to enter into a work contract. I would like to mention that the law clearly specifies: "The members of the commission are independent and examine the case impartially, in accordance with the evidence presented."

[TRYBUNA LUDU] Then you, Comrade Chairman, and the members of the commission you head are persons and an institution of the public trust. Briefly, what is the makeup of the commission and what formula did the law adopt for its operation?

[Dubois] The commission is composed half of persons designated by the minister who handles trade union issues and half of national interunion organizations and national trade union representatives of the majority of plants. The purpose of the commission, which is made up of three persons, is to decide on controversial questions. Such questions may be brought up by an interested party within 14 days of receiving a denial for reemployment in a plant in which he worked. The verdict must be handed down within 30 days from the date the appeal was made.

[TRYBUNA LUDU] You stated that each commission team is made up of three persons. What is the structure of this team?

[Dubois] The commission will have three lists available. One member of the team will be selected from the list representing the administration and a second member will be chosen from the union list. The duties of the chairman will be performed by a person who has legal training who will be listed on a separate list of those chairing the team set up by the Social Conciliatory Commission, thus guaranteeing impartiality in decision-making.

[TRYBUNA LUDU] I understand that the employee presenting the appeal has a guaranteed influence over which the trade union defends his interests.

[Dubois] Of course. A commission member representing the trade union who has been chosen by the interested party is designated from the union list for the adjudicating team.

[TRYBUNA LUDU] It is impossible for a legal document to anticipate all eventualities ushered in by life...

[Dubois] The law regulates certain elements of procedure very precisely. I already have discussed some of these, such as the deadlines by which appeals must be made and the deadlines by which the commission must decide on cases. Since it is impossible to exhaust this whole, enormous subject in an interview, allow me to say a few words about some of the other elements of great importance. And so, for example, the plant manager is obliged to give a reply to a person desiring to return to work within 14 days. I think that here I should stress clearly that the scope of the powers of the commission extends only to those persons that I mentioned at the beginning of this article. It does not extend to quarrels in cases in which valid court judgments have been handed down dismissing claims for returning to work for other reasons (such as breaking the law on sober behavior and combatting alcoholism, committing a crime of theft, failure to supervise and the like).

The law also specifies the procedure for the resumption of labor relations when the plant management has given approval for this. Very simply, an interested party who is employed elsewhere at the time the favorable decision is made may dissolve his contract with his current employer within 7 days of receiving approval to resume employment in his "home" plant, so to speak, by giving notice to his current plant 7 days before his departure. And he is permitted to resume work in the home plant if he appears there within 7 days and expresses his readiness to resume working. It is possible that some temporary circumstances may make it impossible for the plant to approve this for the time being. This does not close the case, since he may again announce his readiness to work until 31 October of the current year.

[TRYBUNA LUDU] Is the manager obliged to justify a possible denial?

[Dubois] Yes. For example, if the denial occurs due to a situation in the plant (such as a liquidation of a particular department or a change in the production structure, so that the worker's qualifications cannot be used), then the manager is obliged to justify the denial. A worker who is not satisfied with a negative decision rendered by the plant should address a motion to the commission presenting the evidence that substantiates his claim.

[TRYBUNA LUDU] I return to the question: What about cases that may occur in practice which were not anticipated or covered by the law?

[Dubois] Then assistance is sought from the corresponding provision concerning conciliatory judicature from the Civil Proceedings Code. But I point out that these are merely procedural regulations.

[TRYBUNA LUDU] When do you anticipate beginning your work? In what mood do you begin this responsible, difficult work?

[Dubois] The task of organizing is already underway. We have a space designated for the work of the commission, we have a staff to serve the commission and the first case has come up. Our mood? Perhaps it is better to offer a reflection: the law is supposed to implement ideas of national understanding, the roundtable idea. It is supposed to redress the sense of wrong that still exists among many people. Thus it seems that in such cases, both plants and the commission should be motivated by the primary principle that all doubts that cannot be dispelled

in the cases under examination should be decided in favor of the worker. I also think that the law is an express example that all difficult and even painful cases can be resolved in the proper manner if good will exists among the parties that are investigating social conflicts via a discussion approach.

[TRYBUNA LUDU] Thank you for the meeting and I think that we will have yet another opportunity to talk on the subject of the problems that come to light during the commission's work.

[Dubois] Indubitably.

CZECHOSLOVAKIA

Approaches to Reform by Socialist Countries Viewed

24000156b Prague *HOSPODÁRSKE NOVINY* in Czech No 27, 1989 p 10

[Article by Eng Jaroslav Fingerland, ScC, Economic Institute of the Czechoslovak Academy of Sciences in Prague: "Acceleration Is Hard To Estimate"]

[Text] Current economic development and the progress of reforms in individual socialist countries raise questions and provoke widespread public reactions. This is logical; the heart of world socialism is seeking a new, efficient model for economic operations. Many aspects of this process are identical, but it seems that especially recently more differences have appeared. They are logically projected also into mutual economic relations: different crucial problems and different methods for their solution gave rise to different interests of the CEMA member countries also as regards their gradual process of integration.

Reports and analyses by official authorities and experts who have assessed the situation in individual European socialist countries generally refer to the shortcomings and untapped assets in their economic development. As the most serious weaknesses, they pinpointed the underutilized R&D achievements and the inability to absorb and spread R&D progress; the investment area (efficiency, terms, the high rate of unfinished construction projects, the technical-economic standard); the scant success of structural policies; the inferior quality of goods; the high consumption of materials, power and labor in production; the inefficient utilization of capital funds of production, and the outdated infrastructure (tertiary sector). However, the degree to which these untapped assets or shortcomings are admitted differs in individual states. In particular, the GDR, and in view of its actual development, also the Romanian Socialist Republic consider themselves successful. On the other hand, the USSR, the Polish People's Republic, the Hungarian People's Republic, and the Bulgarian People's Republic have shown considerable self-criticism about their economic development thus far.

When Will the Reforms Produce Any Effect?

The above outline of economic achievements as rated by individual countries may also explain their attitudes toward economic reforms, or as the case may be, toward the comprehensive restructuring of society. For instance, the GDR is considering only some improvements of its current system of management and planning which is based on individual integrated enterprises

The 5th plenum of the Central Committee of the German Socialist Unity Party (1987) adopted a number of measures to stimulate the quality of production. In January 1988 a 3-year experiment was launched in 16 selected integrated enterprises (on the basis on their

expanded authority); however, as stated in the report of the GDR Bureau of Statistics, it is still valid that "stable economic development depends on a reliable, smoothly functioning, efficient and flexible system of planned socialist economy whose central management and creative initiative from the grassroots successfully complement each other." In a similar way, the Romanian Socialist Republic emphasizes that an improved economic mechanism, whose introduction was approved by the plenum of the Central Committee of the Romanian Communist Party in March 1978, is in agreement with the conditions of development in the Romanian Socialist Republic. The central factor of the economic mechanism of the Romanian Socialist Republic is state planning which, unlike in other European socialist countries, is characterized by a high degree of centralization.

On the other hand, all other countries have unambiguously concluded that they need to restructure (reform) their management and planning, or their economic mechanism. The most radical, at least as concerns the texts of adopted documents, seems to be the restructuring in the Bulgarian People's Republic which affects the entire society. Its new concept is based on the principle of unity and multiformity of socialist ownership. This is expressed specifically as "entrusting socialist ownership to the management of labor teams and territorial communities of the nation." Another principle is based on a new concept of democratic centralism which is seen in the shift of the fulcrum of operational management from the top of the social pyramid to its foundations. The third principle stems from the premise that socialist self-management is the instrument enhancing the involvement of the people in public management. The fourth principle defines a new place and role for the Bulgarian Communist Party under the conditions of self-management. In this context it was said at the all-state conference of the Bulgarian Communist Party in January 1988 that the party will remain the leading and controlling force of society, but not one of the levels in the hierarchy of state power.

The Hungarian People's Republic has conducted the reform of its economic management already since 1968, albeit with various fluctuations of its rate and contents. At present, its well-known principles are being put to another test and intensified. The need to "accelerate the already stipulated socioeconomic reforms" has been frequently emphasized. An urgent step is the adoption of the law on economic associations (the all-state party conference discussed the directive to this law on 20 May 1988), whose purpose is to provide conditions for the development of additional economic ownership (including private and foreign sectors) and their combinations, while preserving the leading role of state and cooperative ownership.

In the Polish People's Republic the second stage of the economic reform is underway. In the course of its implementation, the entrepreneurial spirit of economic organizations and of citizens will be encouraged, and

their activity will be focused on modernization of production, innovations, and high quality. It is expected to achieve an economic balance and lucrative markets. Furthermore, it is envisaged that the structural economic changes will be accelerated and the share of advanced goods manufactured by means of sophisticated technologies will be expanded.

The fulfillment of the Polish restructuring is encountering considerable domestic problems which after the wave of strikes first led to the adoption of a law granting special powers to the government on 31 December 1988, and finally, to the government's resignation. The new government of Mieczyslaw Rakowski was determined to fulfill the economic reform more flexibly and thoroughly, and in particular, to step up the structural overhaul of economy; however, as known, a new situation developed in the Polish People's Republic after recent parliamentary elections.

The economic reform in the USSR was launched at the plenum of the CPSU Central Committee in April 1985; nevertheless, in terms of the creation of legislative and political groundwork, the reform is progressing at an extraordinary rate. What are the main characteristics of the Soviet reform? They may be summarized as follows:

- narrowing of the sphere of central management; its focus on the strategy of balanced economy; stipulation of main directions of development, and determination of the "rules of the game" for the *khozraschet* sphere and control procedures;
- considerably expanded independence of basic economic entities (enterprises, cooperatives, etc) both in terms of operations and innovations, and of planning;
- practical implementation of the principle of economic equality and social justice for all citizens in society, based mainly on the premise that achievement is the uniform (and also the only) criterion for sharing in the consumption of all produced goods—which also enables the working people to feel as real coowners of public production assets and to make them really interested in developing their creative talents;
- economic democracy upgraded to the form of self-management as an essential factor of socialist public ownership;
- a new role for the national economic plan (whose objectives must be formulated not only by experts or politicians, but also with the participation of the working people) as well as economic plans of enterprises which must reflect the interests of workers' teams and respect national interests;
- a growing role for the market, supply and demand in conjunction with the transition from administrative methods of management to predominantly economic methods;
- the fulfillment of economic reforms is contingent on the necessary change in superstructure relations—in

other words, on the improvement of all social relations, on the renewal and development of forms and methods of operations by political and ideological agencies and institutions, expanded and intensified democracy of open policymaking, public information, socialist pluralism of opinions, and so on.

As for the Soviet reality, the opportunities for the introduction of new principles are still limited. Despite the adopted legal and other measures, enterprise management is still controlled. The independence of enterprises is often illusory. In particular, prices have not been revised and there are no wholesale centers of production assets.

On the whole, it appears that in the countries where economic reforms are under way, that process will be extremely difficult. At best, it may be expected that the new mechanisms of management may begin to function relatively efficiently until in the next 5-year plan.

Therefore, the complexities affecting the introduction of economic reforms and the projection of this process in the nationwide and political context go in some cases hand in hand with delayed appearance of the envisaged results of restructuring. "Old and new" principles "coexist" in the economy (often to its detriment). The new ones are frequently implemented by old methods. An analysis of the achievements of the restructuring of economic mechanisms and macroeconomic results in several countries (most evident in the example of the USSR) demonstrates conspicuous discrepancies between the character of the approved 5-year plans and actual systems of management. The 5-year plans were set (at least on the macrolevel) as plans for an intensively developing economy. However, in reality national economies of European socialist states do not have at this point appropriate management systems for an intensive development. Consequently, one may hardly expect that the 5-year plans, particularly their qualitative tasks, will be fulfilled. Economic results reported by the CECA member countries for the current 5-year plan do not enable us to note any genuine turn from an extensive to an intensive economic development. The only exception is the achievement of the GDR economy whose development may be described, according to the applied method, as predominantly intensive.

The actual development of the economies in European socialist countries in the 1986-90 period is characterized by a greater or lesser degree of internal and external imbalances which in the final analysis reflect all problems, particularly the imbalance of supply and demand, both in the market (if one can call it so) of production assets and in the market of consumer goods. As concerns production assets, the shortages of modern technologies continue, and limited resources are still being used more to supply additional capacities for the production of labor supplies and power than to conserve them.

Nevertheless, the realization is becoming evident that the deficiencies in economic efficiency cannot be

resolved over an extended period by restrictions on investments and by efforts to maintain a living standard "at all costs," or more exactly, to the detriment of the future generations. This fact was clearly recognized in the Hungarian People's Republic, the Polish People's Republic and the USSR—all these countries expect to raise (or maintain) the volume of accumulation and to use it to their greater advantage. On the other hand, the Romanian Socialist Republic, for instance, maintains a traditionally high amount of accumulation, and the problems there (as in other countries) concern its more profitable exploitation.

Moreover, imbalances are evident in the markets of food, consumer goods and services in every country (with the possible exception of the Hungarian People's Republic whose economic policy sees complete satisfaction of public demands as one of its main priorities)—from partial problems in the GDR (shortages of top-quality goods, automobiles, fruit, efficient tourist services) up to the strict control of consumption in the Romanian Socialist Republic.

Different Approaches to Remedies

The approaches to the solution of the above-mentioned imbalances in individual countries differ. The Hungarian People's Republic has taken specific radical steps (retail prices were increased and realistically adjusted, subsidies to inefficient enterprises cut or completely terminated); the Polish People's Republic adopted similar measures, although the situation there is different than in other European CEMA countries. The USSR and the Bulgarian People's Republic are planning to restructure prices, eliminate processes of redistribution among enterprises, and phase out unprofitable enterprises.

There are different views about the solution of external imbalances evident in individual countries primarily as various degrees of indebtedness to advanced capitalist states. All of those countries are determined to maintain a balance or trying to eliminate their debt, but their methods of solution differ. On the one hand, the Hungarian People's Republic is trying to reduce its debts gradually, without any drastic restriction of imports, in other words, by expanding its exports; it must frequently accept additional credits. That country regards foreign debts as a genuine economic mechanism to be used effectively. A similar approach may be seen in the Polish People's Republic and in the USSR.

On the opposite end of the spectrum of approaches to the solution of foreign trade imbalance is the Romanian People's Republic, which is eliminating its foreign debts by restricting its imports to a bare minimum and by expanding its exports (often under disadvantageous conditions) which consist mainly of agricultural and food products. However, this Romanian practice has caused a lag in modernization of Romanian economy, a stagnation of its living standard, and far deeper problems in the

critical areas of Romanian economy, particularly in power engineering and in the agricultural and food sector.

If we review the situation in European socialist countries for the 1988-90 period, especially the outlook for their development to the end of this century, we may note that:

- Most of the indicators of the quantitative and qualitative tasks stipulated by the congresses of the communist and workers' parties for the current 5-year plan may not be fulfilled in most of those countries.
- On the other hand, economic reforms and democratization of the life in most member countries continue at a somewhat faster pace, especially due to the vigorous development in the USSR.
- The restructuring process has turned out to be more complicated, politically demanding and time-consuming than it appeared at the beginning of the 5-year plan.
- The extent and effectiveness of the integration of the CEMA member states in the global division of labor are significant. If the international situation and active and coordinated economic, scientific and technical policies of the CEMA countries in their relations to third countries develop favorably, global economic cooperation may exert a strong and beneficial effect on programs of modernization and accelerated economic development in CEMA states, with the awareness that it is logical to expect that the share of their mutual trade must be reduced.

As for the fulfillment of the aims outlined by the congresses of the communist and workers' parties for the period to the end of this century, I do not think that based on the achievements thus far one may draw the conclusion that those objectives cannot be attained. Rationally implemented restructuring of international socialist division of labor and of the whole socialist society may stimulate independent initiative of the people and result in an accelerated rate of development which today cannot be estimated. In this context, it is a moot question whether the quantitative goals set up to the year 2000 (such as the volume of national income in the current conception) adequately express the desirable changes in the economies of individual countries.

The approaches of the CEMA member countries to the further development of integration are quite closely tied with the attitudes of individual countries to domestic economic reforms. On the one hand, it is evident that the procedure adopted by the CSSR is followed by the USSR, the Polish People's Republic, and to some extent, also the Hungarian People's Republic, which regard the restructuring of the economic mechanism in socialist economic integration as a vital prerequisite for the development of genuine processes of integration; on the other hand, the Romanian Socialist Republic and the GDR (although each of these countries for different

reasons) tend to opt for the continuation of the principles and methods observed thus far, but to use them in a more lucrative way.

Nevertheless, the differences in national approaches to domestic economic reforms and to the restructuring of the economic mechanism of integration may be determined only to a lesser degree by objective long-term considerations. These differences often pertain only to the stages of ongoing reforms or to subjective conditions for a cautious attitude toward reforms.

In view of the improving—or “depoliticized”—economic relations between East and West and of the progress of reforms in individual socialist countries, the further development of socialist economic integration may lead to a certain weakening of socialist integration (measured, for example, by the share of mutual trade); however, this will be an “administrative” weakening of integration. On the other hand, several countries will be interested in expanded cooperation, if for no other reasons, then because of their debts in freely convertible currencies, however, on new “solid” foundations which are based on balance of interests and which guarantee progress on the way to an intensive development of national economies.

HUNGARY

U.S.-Hungarian Brokerage Company Formed

25000325c Budapest HETI VILAGGAZDASAG in Hungarian 10 Jun 89 p 58

[Interview with Imre Beke, head of the First American-Hungarian Securities Brokerage House, in Budapest on the occasion of the establishment of this office in Hungary; date not given]

[Text] Imre Beke is third in the sequence of startups, but nevertheless claims credit for organizing the First American-Hungarian Securities Brokerage House. We asked Beke (48 years old), who generated the American half of the firm's capital, and what kind of investment advice he will be able to offer.

[HETI VILAGGAZDASAG] So far you have been giving advice to Americans about how to invest in the United States. If my arithmetic is correct, you left Hungary when you were about 15 years old. What can you tell American investors, given that you are now visiting Hungary for the first time after 32 years of absence? Why should Americans speculate in Hungary, of all places, with their money?

[Beke] Look, no matter what I say, no one would be investing money here if confidence vis-a-vis Hungary had not grown. Back home in New York, the word is that the real America to be rediscovered will shortly be found in Hungary. Don't misunderstand: The Americans believe that the conditions of investment here in Hungary will be like what existed in the United States in the

last century. But even apart from this I would not be promising anything irresponsibly. In the United States, if a securities brokerage house provides too many ill-advised tips, it soon acquires a bad reputation. I am not my worst enemy.

[HETI VILAGGAZDASAG] Still, you are here and you are striving to hit a lucky streak in the “wild East” among your countrymen, are you not?

[Beke] Indeed, I am in Hungary and am opening an office, so there is no question about my optimism. I am naturally aware that many things are still lacking for a real breakthrough. As I see it, in most cases a simple technical problem is involved. A much bigger concern has to do with attitudes, for it is most difficult to change them. Yet it must be learned—or rather one must get used to the idea—that it is never the chief accountant, but the marketplace, or even more immediately the brokerage house, that is qualified to assess a firm as a prospect. The value that is determined in this way is often different from the book value—a concept that is unfamiliar here. This is an approach which in Hungary today is still viewed as a little shady, adventurous. By the same token, one should note that so far it is not capital that has discriminated against Hungary but rather it is Hungary which has shunned capital. That is, capital tends to flow objectively where it can move about more freely and seek higher returns. To be sure, the investor speculates and weighs the alternatives, but what is most important is that he accepts risk. In exchange for this risk-taking, he expects a favorable return, a yield that logically is greater in proportion as the risk rises, greater than if someone merely deposited his savings in a financial institution based upon the interest.

[HETI VILAGGAZDASAG] And what kind of return do you promise for investments in Hungary? Viewed from the United States, how much risk seems to be involved in investments here?

[Beke] That depends on many things. For instance, I for one would not yet advise an American investor to acquire 100 percent of a Hungarian firm. What would he achieve? The Hungarian employee—after several decades of conditioning—would only see a new owner replacing the Hungarian state employer while everything else would remain the same. What also reduces confidence is the fact that enterprise is still not free enough; there is still too much interference in business. Even now I fail to understand what concern it is of the government to intervene regarding how much capital should be raised initially by, say, a stockholding company. For the government still unquestionably prescribes this. And should the organizers of the securities market consider fixed-income securities first? This attitude is sure to lead exclusively to the establishment of a bond market, rather than to a real equities market. The shareholders are inventing, to be sure. There are those who speculate on the security conserving its capital value and on hopes of high dividends. Others do not prioritize these investment objectives but rather capital appreciation itself. I

notice that even in the marketplace time is needed for public opinion to absorb the concept that the individual who has a sense of market timing, who has flair, who places his bet on a good horse—can frequently and in short order increase his capital, even if modestly—but can naturally lose it also.

[HETI VILAGGAZDASAG] Will you people help out in Budapest in this connection?

[Beke] I believe that there will be a lot to do, obviously with us acting as brokers to our principals, since we are the ones who watch and know the market and provide investment advice on that basis. But at least it will be important enough for us to introduce inquiring firms to the securities exchange, to the securities market in this area. However, this is by no means an easy matter. It is not enough to "raise" capital. To introduce a firm demands lengthy preparatory surveys and a sense of timing. It is very similar to the organization of a military campaign and its execution. Since the securities exchange makes split-second decisions—and often on the basis of instantaneous impressions—at such times the slightest error can be financially disastrous. A sound decision, by contrast, can provide momentum for years.

[HETI VILAGGAZDASAG] In other words, you people are the underwriters of success. How do you guarantee profitable deals?

[Beke] In the United States there is a saying that two things are certain: Death and taxes. If you have paid attention you will have noticed that these do not include a sure guarantee of successful advice for anyone. It is possible to guarantee only professionalism, sound information, and business integrity. I believe that for starters even these are substantial.

FRG-Hungarian Joint Enterprise Formed in Nyiregyhaza

25000374b Budapest NEPSZABADSAG in Hungarian
11 Jul 89 p 10

[MTI (Hungarian Telegraph Agency) report: "Gift Ambulance for Szabolcs-Szatmar—Hungarian-FRG Stock Corporation To Be Formed in Nyiregyhaza"]

[Text] A Hungarian-FRG stock corporation called Mezotrade, Inc. was established at Mezogep Enterprise in Nyiregyhaza. Production will begin with the manufacture of the interiors for Ford ambulances. After installing the interiors the ambulances will be exported to the Soviet Union.

The corporation also began preparations for the establishment of a plant to manufacture industrial filters and ceramics in Szabolcs-Szatmar County. Using a Soviet patent, the investment project will be completed in 9 months. The plant will provide regular job opportunities for more than 700 local residents; their products will be sold in foreign markets, primarily in Western countries.

A foundation was established within the corporation to foster modern medical emergency care in the Nyirseg region. In addition to Ante-Trade System [as published], and the Mezogep Enterprise of Nyiregyhaza, the city council, the Szabolcs-Szatmar County Hospital, the Hungarian Credit Bank, and the Hungarian Insurance Co. are members of the foundation. The multimillion-forint foundation will enable physicians from Szabolcs to receive organized support for foreign professional study trips. The head of the FRG firm gave a Ford ambulance equipped by modern standards to the county hospital as a gift.

New Market, Competition Policy Described

25000385 Budapest FIGYELO in Hungarian
6 Jul 89 p 8

[Article by National Pricing Office Chairman Ferenc Vissi: "Market Economy, But How?"; first paragraph is FIGYELO introduction]

[Text] The government last week discussed matters concerning competition and price regulation, and adopted related new legal guidelines. The new law on competition, however, remains a hollow legal framework, unless it is filled with the texture of actual market conditions. Fundamental changes in business management must take place before constraints exerted by market forces and the rules of fair competition determine business conduct. The author, chairman of the National Pricing Office, presents a sketch of new market and competition policies.

An understanding has evolved in Hungarian society that there is a need for a multiparty political system and for a mixed ownership economy. The construction of a pluralistic society has begun. Business and industrial organizations are being established under various types of ownership arrangements. The conditions for a market economy and for competitive conditions are taking shape.

Whether a business is superior or inferior as compared to others can be determined only through competition. Competition can prevail only if policies which build and stimulate entrepreneurship come about, and paralleling that, if the practice of paternalistic state intervention ceases to exist.

By nature a market economy presumes the existence of independent, sovereign persons and entities doing business. In today's overwhelmingly state owned economy, business organizations having actual sovereignty and independence can be established only gradually. Without sovereign business organizations there is no market economy. A market economy presumes proprietary reform, in which the economic conduct of the participants approaches the rationale of private owners. Also in this context, the state commits itself to provide equal opportunity through its financial regulations to business organizations established in various forms of ownership.

Market and competition policies may be based on values produced by economic democracy. These include the acquisition of property, management, the freedom to do business, and the opportunity to freely dispose of all forms of assets. But it also means the freedom to enter or to leave the market at anytime; moreover it represents an opportunity for legal recourse against political and public authorities whenever they intend to restrict economic formations in the framework of fair competition, or the opportunity to acquire profits. One cannot always count on a life raft if and when business enterprises get into trouble. At most they can count on benefits available in accordance with international practice in the course of their reorganization or renewal.

Based on the Entrepreneur

The state's appropriately limited role in the economy serves as the other pillar supporting market and competition policies. As soon as possible, the government must separate the two ways in which it participates in the economy: in the capacity of a public authority on the one hand, and as the owner, on the other. One of the obstacles to market economy development is the fact that with its excessive number of prescriptions and rules, the government is an unpredictable actor in the economy. The gradual withdrawal of the state from the economy is unavoidable.

In modern states, however, in addition to market mechanisms direction by the state also has a natural domain. In this sense even central planning does not become superfluous. Issues pertaining to the infrastructure, to the development of education and health care, require foresight, and so do the country's financial balance processes in general. A participant in the economy, who under conditions of fair competition satisfies a demand for which he is able to receive payment, produces income, and provides income to his employees, will produce benefits from the standpoint of the economy. On this basis, all entrepreneurial undertakings which conform to these criteria are desirable.

Primarily entrepreneurial values should be held out in the framework of market standards. These are: the reliability of partners, mutuality, preparedness to innovate, risk, and partnership. All these can become areas for the creation of a positive order of values if government policies are predictable and appropriately stable, and if income producers have confidence in the character of such policies and in the government's ability to guide the economy.

It Won't Work With a Soft Market

The most important subjects from the standpoint of recommendable market and competition policies are as follows (not a complete list):

1. *External economic strategy.* A change in external economic strategy centers around perceptions aimed at improving the trade balance and the balance of payments. Considering our positions, this is quite natural.

Import competition, if it existed at all, did not strengthen the pressure to become more efficient. This is at a time when under our conditions, imports should be gradually "hardening" the internal market to world market levels, even if this requires sacrifice. If among identical product groups and groups of service provisions there also exists a "soft market," one could not generally formulate an internal market sufficiently stringent to permit exports oriented toward the world market, to be successful, and to produce results.

The step to be taken toward a market economy also presumes the rethinking of relations within CEMA. No responsible person could suggest that we should "exit" CEMA. But doing nothing would be an equivalent mistake. In this respect we must follow a strategy which enables us to take maximum advantage of all the advantages offered by becoming a transit country between two types of foreign markets. In order to accomplish this, however, real monetary and market standards must operate in the framework of CEMA relations.

Opening up toward the global marketplace demands integration, primarily with Western Europe. In order to comply with the conditions for such integration, however, further long and difficult economic diplomacy and political efforts are needed. The conditions for integration in terms of ownership exist only partially today. The new law on business organizations and the law that summarizes the protection and preferential treatment of foreign capital opened new opportunities. Nevertheless, a real breakthrough may come about only as a result of increased confidence, the rendering of the forint as a convertible currency, and a significant development in the infrastructure. Development of the still missing institutional elements of a market economy, and of existing institutions so that they become market oriented, is not negligible either. (These include the development of the securities market and the commodities exchange, modernization of rules applicable to competition, and the establishment of mechanisms and institutions for the appraisal of assets.)

Without Dissonance

2. *Deregulation.* Attempts have already been made to streamline the complex, impassable thicket of laws governing the economy. Nevertheless, comprehensive deregulation has not taken place.

It is clear that market coordination will not function in the absence of economic constitutionality and without constitutional rules. Deregulation does not simply mean the termination of bureaucratic rules or the lowering of barriers. It also means the simultaneous development of control mechanisms, mechanisms which do not tolerate informal solutions and which exclude subjective elements from processes outside the area of business. Deregulation by all means must restore the order of the legal hierarchy. Still today we frequently find that lower level legal provisions conflict with the spirit and purpose

of laws. Legislative activities at the lower—ministerial—levels must be firmly restricted.

We must consistently endeavor to coordinate newer laws of an economic nature with older laws, primarily those pertaining to specific branches of the economy (e.g. land law, postal service law, and laws pertaining to transportation and commerce).

Deregulation is only one aspect of doing away with dissonance, however. Of equal significance is the development of rules for the new order of economic laws. Developed market economies demonstrate that the body of prescriptive law will grow. Accordingly, there is a need to develop a new body of laws which follows the logic of market standards.

3. *Invigorating Entrepreneurship.* Entrepreneurial activity in Hungarian society is extremely weak. There are historical and cultural reasons for this. In the framework of our economic and social policies we must strengthen the positive aspects of entrepreneurship. It should become a strategic goal to make willingness to engage in entrepreneurial activities as well as entrepreneurial conduct popular among the citizenry, also in terms of a desirable career path.

The establishment of a significant number of small and medium-sized entrepreneurial ventures, in addition to the already functioning entrepreneurial ventures under owners' (investors') control, is the condition upon which the market economy can expand.

The program designed to stimulate entrepreneurship must enhance the establishment of new entrepreneurial ventures, as well as the process by which small and medium-sized undertakings adapt to market conditions. This requires institutions supported by the state. Their task would be to provide advice to entrepreneurs, education, assistance to small entrepreneurs in finding their way through state administrative proceedings, the provision of information concerning the domestic and foreign markets, and the legal order, etc.; transillumination, the provision of loan guarantees and of capital, improvement of the infrastructural situation of enterprises.

The policy of stimulating entrepreneurship must also appear in the remaining parts of economic policy, as for example in tax policies, employment policies, insurance transactions, etc. The establishment, broadening, and development of small businesses must be encouraged by fiscal means.

Privatization is the definitive element of the program designed to encourage entrepreneurship. In the course of privatization the complicated large enterprise type once artificially constructed as the "socialist ideal" will gradually lose its dominant character. This is because it will in part change while private and mixed ownership enterprise abandons its "auxiliary, supplementary" role. The feeling of "being tolerated" was largely a result of administrative obligations which demonstrated lack of confidence. Those must also be radically reduced.

Growing Differentiation

4. We already mentioned the need for a new legal order when we discussed deregulation. As an organic part of such a new legal order, on the one hand, competition itself must be protected, while on the other standards related to the purity of competition must be enforced.

A constitutional guarantee for the freedom of competition must be established. No one should be able to restrict or hinder competition without proper legal authorization, not even if such restrictions or hindrances emanate from political, state, or government organs. Laws must specify the basis upon which entrepreneurs may be given instructions concerning business matters. The framework of government and legal conduct with regard to enterprise mergers, cartels, and monopolistic situations should be developed. There is a need for openness in agreements restraining trade. Decisions as to whether such agreements are permissible should be based on comparisons between advantages and disadvantages, and on the spirit of laws.

The evolution of a market and of competition cannot be perceived without discontinuing the 40-year-old autonomous (autocratic) price regulations and price controls.

Economic competition is the most important factor that determines prices; at the same time, however, the freedom to change prices, based on agreements by affected business units [as published], is a condition for competition. The government should be able to interfere in matters pertaining to pricing only to the extent and in the manner specified in the future law on pricing, and the recommended means available to the government do not include informal price management. Accordingly, the legal setting must go beyond the price law, and must also bar abuses related to price levels by means of the law on competition. An essential circumstance presents itself in the requirement that inflation and the manageability of inflation must not mix in the future with professional and ethical issues pertaining to the pricing system and competition, and that none of the above are used to serve the political power.

One must, and can build on the market economy and on its order of standards in the interests of increasing economic accomplishments. At the same time, we must be aware that in a societal sense this can produce not only prosperity, but also a degradation of certain human values and existential concerns among losers or those who fall behind in competition. By now the economically developed countries have fine-tuned means of reducing the effects caused by the loss of value. There is also a need for such mechanisms in Hungary. Based on the socialist ideal, social policies in the broad sense of the term must be able to define not only the rescuing of values, but also a strategy for increased culture and for the broad pursuit of a healthy lifestyle. True, the latter faces a large challenge, because a market economy increases unequal opportunity, and in the short term we have few resources to minimize the abovementioned value loss.

Phony Securities, Damage to Fledgling Exchange Feared

25000352b Budapest *IL HAVILAG* 1989 1 Jul 89 pp 69-71
Hungarian 1 Jul 89 pp 69-71

[Article by Gyorgy Mohar: "Stock Issues: Mandatory Indiscretion"]

[Text] Domestic stock corporations and enterprises intending to convert into stock corporations nowadays are suspended between the earth and the sky. While the law on business organizations provides a green light to the establishment of companies, the law to protect investors by establishing mandatory requirements for the provision of information on the issuance of stock is only in its preparatory stages. There is danger that in this lawless period securities that jeopardize lay investors will be issued, which would soon discredit the evolving stock market.

"Go public," [as published] the English language has it, meaning that one should convert into a stock corporation, whose shares, or part of whose shares would be publicly sold at the stock exchange or through authorized dealers. In countries with developed securities markets, enterprises managed by the state or privately must publicize this fact in terms of information consistent with predetermined criteria, and must obligate themselves to regularly inform investors and the public in accordance with established rules before choosing this route for development or before floating a new stock issue to increase capital.

World Bank experts visiting Hungary not too long ago said that Hungary is the only country in which stock corporations can be established without providing substantive information. In the course of "managing firm plus stock corporation" transformations we have become accustomed to, part of the stock was sold more or less publicly. At least this is what frequent references to foreign investors infer. At the same time, however, no prospectus whatsoever is prepared relative to the stock corporation. This practice may backfire. After all, no serious partner would enter into substantive discussions concerning an investment without knowing the firm he is investing in.

Some traditional enterprise leaders have difficulty adapting to this situation. One of them, for example, wants to attract foreign capital into the stock corporations of the managing firm. He rejected the idea of thoroughly reviewing and publishing in the prospectus the financial balances and situations of the individual stock corporations, saying that this would serve only to incite dispute among the various factory units about uneven burdens and the distribution of loan repayment obligations.

As much as Western investors are aware of the importance of so-called trade information, Hungarian investors are just as unaware of the significance of such information. This is understandable; after all, it has been

barely a year since the state stopped guaranteeing bonds, and less than 6 months have passed since a green light was given to private persons to purchase stock. The prospectus published by Skala-Co-op is very popular among foreign experts. By viewing the tables presented in small print, future investors with good eyesight may learn the most important data concerning the firm; moreover, they may read that in the firm's judgment, because in the absence of actual trading of stock an assessment by the market is missing, "the realistic trading rate of Skala stock these days would be between 130 and 150 percent." Nevertheless, the attention of the potential buyer is primarily attracted by the boldface text on the pamphlet which holds out the possibility of acquiring a car.

The president of another new issuer of stock, Radius Hungaricus, Inc., is self-assured in promising an annual increase of between 60 and 80 percent in stock value. In his corporate informational piece he nevertheless poses this rhetorical question: "Just why are we so certain about the increase in value?" His response, however, would hardly convince a professional investor. "We invest our shareholders' money in real estate on which joint enterprises, therapeutic sanatoriums, offices, and shops may be built in a duty free zone. Our own construction firms will build these at cost, thus in practice they will cost half the amount of what state construction enterprises would charge."

One should stress, however, that it would be improper to hold either the sellers of security or the investors up to public scorn for this practice. During the past several decades neither a capital market nor the culture of a capital market existed in Hungary. Accordingly, issuers of stock have not violated any written or unwritten rule. Except that a capital market does not exist without investors, and if the investors lose confidence in stock issues, the stock market will collapse rapidly before it even exists. The law concerning the trade and sale of securities, which provides that issuers of stock must publish information, is now being prepared and is expected to be submitted to Parliament in September.

In this regard the securities law draws abundantly from the practices of developed market economies. In capitalist countries enterprises changing into stock corporations commit themselves to openness. This is the price they must pay in order for future stockholders to invest their money in the enterprise. The system by which data concerning stock corporations must be made available, and the contents of such communications, are governed by law in foreign countries. It is expected that these rules will also be correlated within the European Community by 1992. According to the present system the publication of a detailed, so-called corporate prospectus is mandatory at the time a firm changes into a stock corporation and when the stock market begins to quote the corporate

stock. Data presented in these documents, including past and present financial data, must be audited by persons authorized to do so, or by certified public accountants. Following the entry into the capital market the stock corporation is obligated to publish semiannual, "interim," and annual reports. It is advisable to inform the public in advance of any significant event, including such matters as developments, reorganizations, cutbacks, and changes in management. Experience shows that it is in the interest of firms to react to favorable and unfavorable press reports involving the firm. Such reports may substantially change the way the market views the enterprise.

A stock corporation does not bear sole responsibility for the reliability of data. The organization trading the stock and the promoter hired to introduce the stock share this responsibility. Legal requirements for the publication of certain corporate information also apply with regard to the issuance of securities which represent credit, such as bonds. The required information, however, is substantially less than with respect to stock. In the framework of securities representing indebtedness, the risk assumed by buyers is far less than in relation to stocks. In the latter case an investor buys part of a firm which cannot be withdrawn, but which can be sold, of course.

Preparation of an enterprise prospectus demands a new outlook and culture. The information piece published when stocks are issued, as well as all other enterprise information published in any form, is not meant to serve advertising purposes. It constitutes a document which contains facts and perceptions for which the issuer must assume responsibility even in a court of law. Quite naturally, a firm intending to raise its capital or endeavoring to be quoted on the stock market must be successful under normal market conditions. On the other hand, a good reputation may be acquired by providing raw and candid information, and not by beautifying the description of facts and plans.

The "hard core" of prospectuses to be issued at times when a firm transforms into a stock corporation, raises its capital, or seeks to be quoted on the stock market is constituted by information pertaining to stock, and by financial and accounting data going back to between 3 to 5 years. Experts in Hungary are working hard so that Hungarian enterprises may present data in their prospectuses so that it can be correlated with the accounting system used in OECD countries.

In other parts of prospectuses certain topics which are rather unusual for Hungarian enterprises must be dealt with. The outlook on ownership is reflected in the fact that the introduction of leaders and the rest of the key experts in a brief biography and characterization is an important part of the enterprise self portrait. The soul of the prospectus is the presentation of risk factors involved in the business. On the principle that by purchasing stock the investor risks his fortune, he must be informed as accurately as possible of the potential dangers. Therefore stock corporations are obligated also to publicize the risk

factors involved in corporate activity. Such factors may include uncertainties in the primary markets, an intensive dependence on the results of product development, and leadership centered in one person. The appropriate balancing of these factors demands expertise as well as artistic ability. Too large a risk will scare investors away, while the advance signaling of threats increases the security of the issuers of stock. Moreover, if a well introduced stock corporation makes reference to great risk, this may convey the idea that the enterprise is a "winner" in the eyes of many.

In cases involving particularly high risk, the securities authority may require that the existence of such risk be printed prominently, for example in red ink on the front page. This was the case recently with regard to an oil exploration stock corporation operating in Israel. It was obligated to state in its prospectus that "thus far no oil has been found in Israel." Not even this statement sufficed to discourage demand for the stock, larger than the actual number of shares issued.

In preparing their future informational pieces, Hungarian enterprises must pay particular attention to providing proper information to potential private investors, and to foreigners not appropriately acquainted with conditions in Hungary. For this reason, not only the enterprise risk factors, but also the problems which generally characterize the Hungarian economy, and which influence the success of doing business in Hungary, must be publicized. These include, for example, statements to the effect that from a practical standpoint increasing socialist exports requires foreign exchange, that the situation of the infrastructure has a direct impact on business, etc. It is possible that initially such statements will frighten some investors, but they will also establish the credibility of information about enterprises.

In forming stock corporations and raising basic capital enterprises must report on their strategic perceptions. The presentation of such information should not be tantamount to the revelation of business secrets, instead it should constitute a definition of trends for future perceptions (market development, new investments, buying other enterprises, etc.). Investors have a right to know what their money is going to be used for. The duty of stock corporations to provide information does not protect just the investor. It contributes substantially to the building of the market, because such information establishes the basic conditions for a system in which information is accessible by anyone. The accomplishment of this, however, demands a fundamentally different management outlook in Hungary, compared to the earlier enterprise planning methods.

Financial Problems of Social Security System

25000325b Budapest HETI VILAGGAZDASAG in Hungarian 10 Jun 89 pp 50-51

[Article by Patricia Molnar; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] The Social Security Administration has been known to occasionally be months behind in its payments

to recipients of disability allowances and to recent retirees, while at the same time enterprises may fail to pay their premiums on time to this reluctant creditor. Following the action by the parliamentary deputies approved last week, the Social Security Administration is "relieved" from the budgetary requirements of several billion forints it was supposed to meet by the close of 1988.

In recent inflation-regulating legislation, there were only modest questions dealing with the social security section in the package plan approved by Parliament last week. Social security revenues are among those rate items expected to exceed their projections by quite a bit (approximately 10 percent). Although from 1 January 1989 the General Directorate of the National Social Security Administration (TB) is theoretically supposed to manage its revenues autonomously, the estimates did not take long to shrink the surplus of the emancipated organization.

Where does the surplus of the Social Security Administration originate? There is no question that disability allowances, mothers' assistance, family allowances, and retirement benefits are rising from year to year. While for instance in 1980 aggregate disability allowances came to 7.9 billion forints, by 1988 they were already totaling 19.3 billion forints. In 1980 mothers' assistance came to 19.3 billion forints, whereas by 1988 such outlays ballooned to 49.7 billion forints. Payments for retirement benefits more than doubled between 1980 and 1988.

During this period private pensions also increased twofold on the average, even though in the interim the consumer price index also rose by over 84 percent.

The revenues of the Social Security Administration originate from three sources: social security premiums of employers, contributions of workers, and finally grants from the government. In the decade of the 1980s, the largest portion (roughly half of revenues) was paid to the TB's treasury by employers. According to estimates, from 1984 for 4 years, the Social Security Administration did not need any makeup grants from the government, for the multifold hikes in contributions proved to generate sufficient funding. But in 1988 there was another change of circumstances: The government kicked in nearly 25 billion forints to the Social Security Administration. The need to fall back on the joint treasury was not due so much to the delay in collecting contributions as to the growth in the TB's commitments (for prescription drugs and medical care).

Beginning on 1 January 1989, there was a new turning point in the Social Security Administration's system. Law 21 of 1988 excluded the latter from the government's budgetary tutelage, and the TB was allowed to manage its revenues autonomously. The law also provided that to the extent that revenues exceeded outlays, no one could lay a claim to the surplus which would now become part of the Social Security Administration's reserves. But even though the TB is no longer involved in

the government's budget, its umbilical cord is still tied to the governmental structure. When the TB's outlays exceed its revenues, the government continues to underwrite the shortfall.

It would be absurd to expect miracles from the autonomous status of the Social Security Administration. TB's deputy director general Adam Forgacs noted. Such autonomy is insufficient to solve the often scrutinized maintenance of the pensions' purchasing power. And no miracle did happen. All in all, because of the rise in wages and official delays, and given that social security premiums are based on earnings when it comes to contributions by both employers and workers, TB is collecting more revenues this year than projected. The surplus is estimated at 20 billion forints in financial circles. According to the Social Security Administration's deputy director general, this surplus will be absorbed by higher benefits to offset inflation and by other TB outlays such as increased retirement benefits and family allowances, as well as to cover outstanding social security claims. The deteriorating economic conditions of enterprises and cooperatives also impact on the revenues of the Social Security Administration. It is now estimated that these employers owe 7 billion forints' worth of back premiums to the Social Security Administration. The minister of finance mentioned recently that TB could also initiate liquidation proceedings against institutions which owed substantial amounts of back contributions to the Social Security Administration. Those enterprises which had been owing larger amounts for longer periods have already been served notice: They must either settle their past due premiums to social security or liquidation proceedings will be started against them, Adam Forgacs noted. There are firms which are 8 to 10 months behind in their payments of contributions while the Social Security Administration considers it unreasonable to have to wait longer than 5 or 6 months.

In this connection many have charged that the Social Security Administration is guilty of partiality: If the small artisan, the self-employed worker does not pay his premiums, he ceases to be eligible for any social security benefits. In contrast, the worker whose employer fails to pay his premiums is immune from any negative sanctions. In the first case the one who pays the contribution is the same as the one who has coverage. In the second case, the premium is deducted from the worker's pay when his employer fails to transmit it to the Social Security Administration. "Troublesome repercussions would ensue for the delinquent enterprise, to put it mildly, were the worker not to receive the family allowance or disability allowance due to him," the deputy director general explained.

Incidentally, the Social Security Administration naturally charges interest on delayed premium payments. It is less obvious that for the citizen going into retirement or becoming ill, no interest is due in addition to the retirement benefits and disability allowance he may

receive after months of delay. However, this year's surplus could cover such interest.

For many it is even more troubling that the original package plan pointed out a 2.5-billion-forint argument, namely, that from such a surplus it would have been appropriate to fund health care programs and to pay care-providing institutions. On the basis of the separate agreement among the Ministry of Finance, the Ministry of Social Affairs and Health, and the Office of the Director General of the Social Security Administration, Laszlo Bekesi, the minister of finance, presented the package plan to the deputies in such a way that even out of the amount originally slated for medical care—13 billion forints—TB has to purchase house bonds instead. Mrs. Geza Fan, section head at the Ministry of Finance, and Adam Forgacs justified the agreement on the grounds that with such an arrangement, besides the relief in the budgeting process, the Social Security Administration's capital can be conserved and increased, which in the longer term also benefits health care. According to this reasoning, if the amount were merely spent, health care would "swallow it up" without producing tangible results. In contrast, the 18 to 19 percent interest that the TB is anticipating with its returns on housing bonds would increase the Social Security Administration's modest capital beyond the surplus. This capital will start to build up from 1990 on. Its initial source will be the 5-billion-forint guaranteed surplus approved by the deputies back in 1988 for the benefit of the now autonomous Social Security Administration.

It is an open question whether the interest on the housing bonds will be sufficient to offset inflation. Would it not have been possible to find a higher yielding investment? Bonds underwritten by the state naturally yield a lower return than more speculative securities. It is reported that in the Ministry of Finance, expectations of an investment alternative yielding more than 16 or 17 percent in housing bonds is not considered reasonable. All of this was also brought up at the meeting of the National Social Security Council, but the Social Security Administration is unable to violate the provisions of the legislation. The aforementioned Law 21 of 1988 not only prohibits the appropriation of the TB's surplus (the government had not put its hand on it heretofore either but merely determined where it was to be invested), but the law also mandates that this surplus should be invested exclusively in government-guaranteed bonds. Among the reasons that came up early in the discussion is the fact that in those countries where there is a tradition of health care and retirement benefits insurance—planned in Hungary, too, but still requiring several more parliamentary measures—investments in U.S. dollars and German marks are also made in government-secured bonds. In addition, for the Social Security Administration to reasonably assess the various investment alternatives in a balanced manner, it would need to staff its organization with enterprising financial specialists. All this is part of the social security reform in the course of which Parliament this year will consider its organizational structure, define the duties of the Social Security Administration, and consider the situation of its capital funds.

Retirement Benefits and Retirees

	1950	1960	1970	1980	1988
Retirement benefits paid (in billions of forints)	0.9	4.4	13.0	56.0	130.0
Retirement benefit payments as a percentage of national income	2.0	3.0	4.7	9.6	11.3
Number of those drawing retirement benefits (in thousands)	539.0	796.0	1,453.0	2,080.0	2,422.0
Retirees as a percentage of the total population	5.8	8.0	14.1	19.4	22.9
Average monthly retirement benefit paid (in forints)	147.0	486.0	765.0	2,267.0	4,643.0
Average retirement benefit as a percentage of average wages	21.7	31.4	35.9	55.3	66.2

POLAND

ZYCIE GOSPODARCZE 'Briefs' Columns

*6000626 Warsaw ZYCIE GOSPODARCZE in Polish
Nos 28, 30; 9, 16, 23 Jul 89

[Excerpts from the weekly news roundup column "Last Week"]

■No 28, 9 Jul 89 p 2■

[Excerpts]

In Poland

[Passage omitted] On 1 July 1989, under the leadership of Wladyslaw Baka, member of the Politburo and secretary of the Central Committee, the Socioeconomic Policy Committee of the PZPR Central Committee met. They evaluated the current economic situation and the

directions for efforts included in, among other things, the adaptive program being prepared by the government. The members of the Commission were critical of many elements of the proposal, especially the continuing high rate of inflation in the near future. They said that the process of introducing an economic market should begin by strengthening the role and function of money.

At its meeting on 30 June 1989, the Council of Ministers decided to freeze prices and wages for one month beginning 1 July 1989. Subsidies will also be frozen. [passage omitted]

On 30 June 1989 at a press conference, Jozef Sisz, chairman of the temporary National Council of Individual Farmers' Solidarity, said that the breakdown of the food market is no surprise. "We anticipated it—we saw the negative effects of the price increases for materials used in agricultural production and the burdens placed on the people in the agricultural sector with excessive taxes. The Temporary National Council of Individual Farmers' Solidarity called on the farmers to continue withholding their first and second payments on their monetary obligations.

On 29 June 1989, employees of the Warsaw health service participated in a white protest march organized by the National Commission of NSZZ Solidarity. A declaration given to a representative of the Ministry of Health and Social Services demanded fundamental reforms in the health services, increased subsidies for it from the state budget, and also regulation of the wages in accord with the agreements of the roundtable.

At a joint meeting on 29 June 1989, the Presidium of the ZSL Main Committee and the Presidium of the Main Council of the National Union of Farmers and Agricultural Circles and Organizations adopted a position on the socioeconomic situation in Poland. It states, among other things, that the large price increases for materials used in agricultural production introduced recently were not negotiated with the trade unions, a clear violation of the roundtable agreements.

The National Commerce Bank has been reactivated by a decision of the minister of finance. It is to be one of the organizers of the capital markets in Poland. It will emit, among other things, state bonds and buy and sell enterprise stock and other commercial paper; it will also execute foreign transactions. It will also take over the administration of some parabudget funds. (In 1924, the president of the Republic created the National Commerce Bank as an institute for financing the economic activities of the state.)

Abroad

[Passage omitted] At George Washington University in the capital of the United States, a seminar on capital markets was held. The organizers of the seminar, the first of its type in the history of American-Polish relations, are George Washington University and the Institute of Finance Policy in Warsaw; the sponsors were IBM and

the investment firm Merrill Lynch. Maciej Krzak, a representative of the editorial staff of ZYCIE GOSPODARCZE participated in the seminar.

The annual production of lignite in the GDR has exceeded 310 million tons. It is one fourth of the world production of this raw material. The position is a result of the growing need for electric power, which in peak periods reaches 20,000 megawatts. At present, more than 80 percent of the national need for electric power is based on this raw material. As regards consumption of electric power per capita, the GDR is third in the world. This is chiefly a result of the high level of energy consumption in the economy and an industrial base that is not the most modern and requires rapid modernization and restructuring.

Speaking at a meeting of the Czechoslovak Committee of the National Front, Karel Julis declared that as a result of neglecting the problems of environmental protection in the CSSR the purity of the air, waters, lands, forest, and the entire natural environment has deteriorated in recent years to a degree that arouses serious concern. The economic losses due to this cause are equal to 5 percent of the entire national income; in 1970-85 as a result of "civilizational diseases," the rate of illness among men increased by 30 percent, among women by 46 percent; fauna and flora are disappearing; historic buildings are falling apart; corrosion is destroying steel structures. During the current 5-year period, the state has earmarked 2 percent of the total investment expenditures for ecological items (about 17.5 billion Kcs).

The Romanian economy is ending the first six months of 1989 with results that diverge from those planned. In spite of an increase in industrial production in comparison with the same period last year, the goals in the basic areas will not be met.

■No 29, 16 Jul 89 p 2■

[Excerpts]

Poland

[Passage omitted] The Presidium of the PZPR Central Control and Review Commission familiarized itself with, among other things, the results of an investigation into the implementation of the resolutions of the 10th plenum of the Central Committee in some areas of socioeconomic life. It criticized the repeated instances of unjustified earned incomes. Gaps in the law and faulty formulations of regulations contribute to this phenomenon. As a result of this and of the lack of market stability, the number of unproductive intermediaries buying and selling goods, whose activities cause an unjustified increase in retail prices, is growing.

The Military Council of the Ministry of National Defense at its meeting on 3 July 1989 took a position on the current internal and external situation of Poland. It discussed the role and the tasks of the military during this historic moment for the state and nation. Among

other things, it expressed the expectation that the chairman of the National Defense Committee, the head of the armed forces, will be an individual with the appropriate qualifications who provides the constitutional guarantee of the security for the development of the state.

At its meeting on 5 July 1989, the Economic Committee of the Council of Ministers examined, among other things, a proposed change in the law against monopoly practices in the economy. It defined personal responsibility for the use of monopoly practices. It also called for the formation of a special antimonopoly body.

There was a conference of the presidents of the ZSL voivodship committees chaired by Roman Malinowski, president of the ZSL Main Committee. They discussed the political, social, and economic situation of the country and the tasks arising from it for the ZSL, including preparations for the eighth plenum of the Main Committee and the campaign prior to the 11th ZSL Congress.

The Organizing Committee of the Doctors' Chambers formed by the Council of State has begun initial work associated with the rebuilding of the medical self-government liquidated in the 1950's.

The Presidium of the Committee for Science and Technical Advancement of the Council of Ministers has outlined the actions and work essential to implementing the decisions of the roundtable in science and technical advancement. It evaluated the state of work on the report of the Main Commission for the Review of the Organizational Structures in Science. The results so far confirm that the operating conditions of some scientific and research and development facilities are very difficult.

The first Communal Bank, Inc. has been formed in Bydgoszcz. Beginning in September 1989 the bank wants to specialize in investments in housing construction and municipal services.

The president of the National Bank of Poland issued a decree that gives commercial banks full freedom in setting their interest rates for loans and deposits beginning in August 1989. The president has resigned from setting the maximum loan rates, except for loans for preferred goals, and minimum deposit rates. The interest rate for so-called refinancing loans, given to commercial banks by the central bank, has been increased to 56 percent.

The Ministry of Finance has authorized the meat industry enterprises to pay premiums to producers who deliver slaughter animals to the socialized purchase points in July 1989. The premium is to equalize prices with those that will be paid after 14 August 1989. [passage omitted]

Abroad

[Passage omitted] W. Jaruzelski sent a letter containing comprehensive proposals for economic and financial cooperation between Poland and the Western countries to Francois Mitterrand, president of the Republic of France. In his letter, W. Jaruzelski touches on questions of immediate aid in stabilizing, and restoring health to Polish agriculture, making possible an agreement with the IMF on a program to stabilize the economic situation, restructuring payments on the Polish debt to private banks, awarding loans for specific undertaking in order to increase export capacity, and finally, for help in restructuring many areas of economic life.

W. Jaruzelski sent a letter to Jacques Delors, chairman of the Commission of the European Community outlining the comprehensive proposal for economic and financial cooperation with the countries of the EEC. In his letter, W. Jaruzelski refers to, among other things, the meeting with J. Delors during a recent visit in Brussels and the issues of EEC support for the economic reforms being carried out in Poland that were discussed at that time.

A spokesman for the EEC declared that the next round of talks between Poland and the EEC on a trade and commerce agreement will be held in Brussels on 24-25 July 1989. "It is anticipated that this round will be the last," the spokesman added.

Helmut Kohl, chancellor of the FRG, declared "that he wants to travel to Poland, if talks with our Polish partners are concluded." He desires for the visit to take place in 1989. He added that the delay in the visit was not his fault. "The difficult talks are the cause. The question is money, especially the money of German taxpayers." His second argument was that "it is first necessary to know the names of the members of the new Polish government." In his opinion, "for Presidents Mitterrand and Bush that makes no great difference, but for the FRG which intends to sign an important agreement with Poland, it has great significance." [passage omitted]

Eduard Shevardnadze criticized President George Bush's appeal from an interview he gave a group of Polish journalists on the complete withdrawal of Soviet forces from Poland. Shevardnadze declared that the appeal "had not been thought through sufficiently, nor was it original." He added that "it will not be helpful." Shevardnadze recalled that the USSR has long proposed the withdrawal of all foreign soldiers, but "why should American soldiers not be withdrawn from the Philippines or South Korea. And what can be said about the FRG?"

The head of the Turkish Government announced that since May 106,000 Turks have entered Turkey from Bulgaria. The arrival of a further 300,000 is expected. "We know," he said, "that the Bulgarians have issued them passports."

The main item in Bulgarians' expenditures is for food, for which they earmark 40.4 percent of their incomes; then comes clothing and footwear, 9.7 percent; housing payments and repairs, 7.4 percent; taxes, 7.4 percent; alcoholic beverages and cigarettes, 5.9 percent; home furnishings, 4.3 percent; and cultural needs, 3.4 percent. [passage omitted]

■No 30, 23 Jul 89 p 2■

[Excerpts]

In Poland

[Passage omitted] At its meeting on 17 July 1989, the Citizens' Parliamentary Club called for the election of the president in an open, roll-call vote. On this same day at the invitation of the Club, Wojciech Jaruzelski met with representatives of the opposition in the Sejm and Senate. He was accompanied by Gen Czeslaw Kiszczak and Marian Grzechowski, chairman of the PZPR Deputy Club.

On 17 July the SD Central Committee held its fourth plenum. The deliberations focused on issues associated with choosing the highest officials in Poland. The SD Central Committee approved Wojciech Jaruzelski for the office of president of the People's Republic of Poland and also called for separating the holding of the office of president from the exercise of any party functions.

At its meeting on 17 July 1989, the Council of Ministers decided, among other things, after examining the situation in the health services, to take actions to ensure the resources for an advance payment against increased wages so that at the beginning of August it will be possible to pay the advance for July and August (26,000 zloty per month) and also to take into account in the proposed legal regulations the principle that quarterly wage corrections in the budget sphere will be made on the basis of quarterly wage evaluations in the material sphere. The decision was a result of talks between government and health service representatives that lasted late into the night on 14 July and resulted in a suspension of the strike and protest actions in the health services. (The hunger strike in Poznan has lasted 10 days, in Wroclaw six days.) [passage omitted]

A protest action expressing the disapproval of economic decisions made recently in agriculture was announced by, among others, the members of the Biala Podlaska Voivodship Union of Farmers and Agricultural Circles and Organizations and the Krakow Council of the Union. A protest action was also initiated by the Trade Union of Workers of the Peasants' Mutual Aid Cooperative at 13 gmina cooperatives in Szczecin Voivodship. (The dispute centers on increasing the trade margins and reducing taxes.) On the other hand, in two gminas in Zakopane haulers refused to transport milk to the collection point.

On 13 July 1989, 40 yachts under the seven different flags of the Baltic countries of Denmark, Finland, the GDR, Poland, the FRG, Sweden, and the USSR sailed into the Gulf of Gdansk. They are participating in a peaceful ecological demonstration "Sailing for Peace," which began two weeks ago in Copenhagen and is going to Klaipeda in the USSR.

An Economic Chamber for Private Industry and Trade is being founded. It will represent private enterprises or those with foreign capital that employ more than 15 to even more than 200 and so exceed the capacity of traditional small-scale manufacturing. Ryszard Sawa, the owner of an electronics plant in Jozefow, is the chairman of the Main Council.

Abroad

[Passage omitted] Reuters reports, citing Japanese Government sources, that Japan is considering introducing preferential customs for Poland. The goal of the move would be to encourage Poland to develop exports to Japan. According to the sources cited, Japanese ministries are examining the issue. If preferences are given to Poland, Reuters writes, many Polish industrial products would be exempted from Japanese duties or the levels would be reduced by 50 percent.

President George Gush visited Hungary. Four agreements were signed: on air travel, on tourism, on restructuring industry and developing the Borsod region, and on cooperation between the agricultural ministries of the two countries.

Reuters reports that the Soviet Union has decided to reduce exports of liquid gas by 60 percent during the third quarter of 1989. This decision is a consequence of the explosion in the gas pipeline between Ufa and Chelyabinsk in which more than 400 passengers on a passing train died. The rebuilding of the gas pipeline will last about six months. Meanwhile, many Soviet petrochemical plants are working below their capacity.

In Yugoslavia, prices rose in June by 30 percent in comparison with May. The rate of inflation was several percent higher than anticipated. However, the government of Ante Markovic stated that its moves to extinguish the sources of inflation should bring improvement in a few months. In December according to its calculations, inflation should fall to 16 percent on a monthly basis. Bozidar Marendic, union secretary for development, emphasized that this improvement can be expected along with improvement in other economic indicators: an increase in the social product by 1.5 percent, in industrial production by 1 percent, and in agricultural production by 6 percent.

In relation to prices, wages are lagging behind. At present one-third of Hungarian families after paying their rent, electricity, and gas have just enough money for food. A family of four, if the mother and father work, earning an average wage and receiving a supplement from the state for the children, must live at the minimum level. This is the picture presented in the union paper NEPSZAVA by Otto Pirityi, economic advisor of the National Council of Trade Unions.

The Council of Foreign Ministers of the EEC member states decided to intensify political cooperation with the countries of Eastern Europe and to support the reforms in Hungary and in Poland. They decided to plan a meeting with Minister Shevardnadze for 26 September 1989. During the next six months, the foreign ministers of the EEC member countries will also hold a series of meetings with representatives of Poland and Hungary.

Statistics Office Reports on May Economic Performance

26000592 Warsaw TRYBUNA LUDU in Polish
20 Jun 89 p 5

[PAP article: "GUS Report on May Economic Situation"]

[Text] The difficult supply situation which existed in May has resulted in a decline in industrial production. The rate of growth of construction-assembly production has also fallen from previous months.

Employment declined in the socialized industry material production sector, which in certain branches also served as a factor for limiting the opportunity for production growth. At the same time employment in the private nonagricultural sector and its output increased.

In May, foreign trade with the hard currency countries (second payments area) increased, a certain acceleration in the growth of exports was accompanied by a decline in the pace of imports. In both payments areas the balance of sales was favorable.

Capital expenditures in the socialized economy were higher than last year, which resulted chiefly from increased investments for construction-assembly work. Construction was started on a larger number of apartments and government buildings than in May of last year. However, fewer apartments and government buildings were turned over.

Insofar as the situation in the agricultural sector is concerned, the prognoses concerning crop production continue to be good. In the livestock production sector, however, there were no signs of a growing interest in the breeding of livestock for slaughter. The buying up of milk was much higher than last year, while the purchase of cattle for slaughter was somewhat lower.

The tendency for a rapid increase in income in comparison with personal spending was sustained. Retail prices increased slower than income, and the availability of goods and services also did not keep pace with income. As a result, the nation's personal money supply increased considerably.

Employment. May employment in the five basic sectors of the socialized economy declined by 1 percent or 73,000 people in comparison with April 1989. During the period January to May 1989, employment in these branches fell by 2.8 percent in comparison with the same

period in 1988. It is worthwhile to add that the employment decline in industry, construction, and transportation has been at the same level for quite a while, and is also evident in the commerce sector since last year.

Material Supply. During the first five months of 1989, supply of the more important materials and raw materials declined by 1.6 percent as compared to the same period last year. There was a decline, above all, in the supply of metallurgical industry goods conditioned by production in numerous branches of the metallurgical industry, as well as in construction. In comparison with the period from January to May 1988, supplies of hot-rolled goods fell by 8.9 percent, and steel pipe fell by 3.3 percent, while cold-rolled steel declined by 2.6 percent. This situation has been caused by restrictions on imports and a decline in production in the metallurgical industry.

Supplies of solid fuel and electric energy satisfied customer demands. Despite increased supplies of approximately 24 percent, however, there were interruptions in the sale of engine fuel, specifically ethylene 94.

Prices. It is estimated that in May the price level in industry rose by 4.2 percent and by 6.7 percent for construction as compared with April 1989. For the period from January to May 1989, the price level for industrial production rose by 71.3 percent and increased by 83.7 percent in the construction-assembly sector as compared with the same period last year. Retail prices for consumer goods and services rose by 7.2 percent in May 1989 as compared with April 1989, and in comparison with January to May 1988. During the January to May 1989 period, the median price level was over 78.2 percent, this including food which was 60 percent higher and nonfood items which rose by 101.3 percent.

Personal Income and Expenditures of the Population. May was the second month where personal income remained above expenditures. The former totaled 2.987 billion zlotys and the latter totaled 2.565 billion zlotys. The total for five months indicated that the people's money supply rose by 2.257 billion zlotys and by the end of May 1989 totaled 8.447 billion zlotys, of which 41 percent was in the form of cash.

Bonuses. On the average, monthly bonuses in the five sectors of the socialized economy calculated together with payments of profits totaled 105,200 zlotys in May 1989, and at the same time totaled 177,800 zlotys in the mining industry, 103,500 zlotys in the manufacturing sector, 109,000 zlotys in construction, 93,900 zlotys for transportation, 95,400 zlotys for communications, and 82,600 zlotys for commerce.

Pensions and Annuities. In May, pensions and annuities, both derivative and for veterans were on the level of approximately 44,000 zlotys, with the average pension totaling a little over 50,000 zlotys, while annuities for the disabled and for families totaled over 39,000 zlotys. On the other hand, pensions and annuities of private farmers totaled 32,500 zlotys. This indicates that in

comparison with May 1988, the average pension and annuity for working veterans and the derivative pension rose by 72.3 percent, whereas they only increased by 84.9 percent for private farmers.

Domestic Market. The value of retail sales of goods in May 1989 totaled 1,935 billion zlotys in current prices and was 93 percent higher as compared with May 1988. At the same time, the sale of food articles rose by 73 percent, alcoholic beverages by 79 percent, and nonfood articles by 107 percent. In terms of fixed prices, retail sales of goods rose by approximately 8 percent for the January to May 1989 period as compared with the analogous period in 1988, food rose by 12 percent, nonfood articles rose by 4 percent, and alcoholic beverages rose by 17 percent. The index for retail sales of goods in constant prices was clearly higher than the index for socialized industry manufacturing, which was due to an increase of approximately 6 percent in the volume of market imports, a rise in the sale of goods from the private sector, and a decline in reserves.

Housing Construction and Other Construction. May was the fourth consecutive month this year in which fewer apartments were turned over than last year. A total of 6,100 were turned over, or 500 fewer than in May 1988. Since the beginning of the year investors obtained 27,800 apartments or 2,400 less than for the comparable period last year. For the end of May, the provincial fulfillment plan totaled 21.3 percent.

During the January to May 1989 period, performance in kind for investment in the health care and education sectors was also lower. In comparison with the same five months of 1988, 59 percent fewer hospital beds, 54 percent fewer doctors offices, and 47 percent fewer offices in clinics were available. In addition, there were 17 percent fewer places in child care centers and 43 percent fewer in kindergartens. This unfavorable situation is also present in the education centers, since elementary schools have 47 percent fewer classrooms, and there are 63 percent fewer in schools above the elementary level.

In comparison with last year, however, the amount of building construction started has increased. Among others, this includes construction started on 3 hospitals, 25 clinics and health care centers, 8 child care centers, and 56 kindergartens.

Industry. Saleable production in the socialized industry sector in constant prices for the comparable work period was 0.9 percent lower this May than last year. This decline was mainly caused by the supply problems, and also partially due to declining employment. Last month, the situation worsened in those branches which make up the fuel and raw materials base. As compared to May 1988, fuel production decreased 25 percent, with a simultaneous decline in natural gas imports, gasoline products, heating oil, and lubricants, and bituminous coal.

Agriculture. Despite a temporary lack of rain, the supply of winter crops, rapeseed, spring crops, and grassland is somewhat better than it was last year. In the area of livestock production, there was an increase in the growth of free-market prices for cattle and pigs, which is due to the adaptation of these prices to the level of the purchase prices.

The purchase of livestock for slaughter in May 1989 was 2.3 percent less than for May 1988, and totaled 197,300 tons. Of this amount, the purchase of hogs for slaughter was 1.2 percent higher while cattle purchases fell by 11.6 percent, and poultry fell by 4.6 percent.

Foreign Trade. In May, our trade balance in both payments areas (nonconvertible and hard-currency countries) improved. For the first five months of 1989, the trade balance with the nonconvertible currency countries (first payments area) totaled 499,300 million rubles, and 418,900 million U.S. dollars with the hard currency countries (second payments area).

For the January to May 1989 period, fixed price exports to nonconvertible currency countries rose by 1.4 percent, and imports fell by 8.6 percent. Trade with hard currency countries during the same period was higher than last year and exports rose by 4 percent while imports fell by 5.4 percent.

National Commerce Bank: Investment, Market Role Stressed

26000599 Warsaw RZECZPOSPOLITA REFORMA GOSPODARCZA (Supplement) in Polish No 162, 22 Jun 89 p 1

[Article by Slawomir Ludwikowski: "Reactivating the National Commerce Bank"]

[Excerpts] The National Commerce Bank was created through a decree issued by Poland's President S. Wojciechowski on 30 May 1924, and its first statute was given to it by the then Minister of the Treasury and Prime Minister Wladyslaw Grabski. It was founded on the fusion of three Galician government banks (the Galician National Bank—from 1922 the Polish National bank; the Galician War Credit Enterprise—from 1922 the Government Reconstruction Bank; and the Galician Metropolitan War Credit Enterprise—from 1919 the Malopolska Cities Credit Enterprise) drawing first of all on the 40-year tradition of the Galician National Bank. It played an outstanding role in the history of former Galicia and supplied the newly created bank with its first experienced personnel. [passage omitted]

After the Second World War the BGK [National Commerce Bank] as one of its first actions in 1944, using its prewar personnel, was already supporting the process of rebuilding the nation (much credit was extended, among others, to industry: heavy, light, and textile, accounting with the National Treasury was begun) and developed its activities in all sectors. After changes in 1948 its credit function in relation to financing ongoing production and

cash turnover were assumed by the Polish National Bank, while the investment functions were taken over by the Investment Bank. Up until now the BGK's only function was the vindication/liquidation relative to the already closed institution of long term credit.

Three Functions

The National Commerce Bank has been presently reactivated through a decision of the Minister of Finance, and it is an institution that is to take up a series of assignments whose completion is to support the process of economic reform, help to strengthen the market mechanism in the economy and speed up the widely understood structural changes in the production apparatus. It is to link the function of the first investment bank in postwar Poland (investment as it is understood in relation to a market economy; that is one that manages capital resources in the form of coownership or indirectly; or as a middleman in the issue and sale of debt or other valuable instruments), a commercial bank—which is to conduct broad lending and credit activities; as well as a restructuring bank—which will take up activities and initiatives of specific significance for widely understood restructuring to yield an increased effectiveness in the national economy.

The location of the National Commerce Bank in the Finance Ministry is due to the specific role it is to perform in the name of the national treasury. The expected description of the lawful existence and activation of the national treasury will be accomplished, among other means, by the BGK as an institutional instrument used to administer the nations property portioned out to enterprises (partnerships in the future), which will accomplish the liquidation and restructuring of economic units and organize a market for capital. The National Commerce Bank is to take over the function of issuing notes of value for the national treasury, and will cofinance government investments funded from centralized resources. Activities previously done by the BGK in previous years will be continued, that is the actions of a liquidation/vindication character in reference to credit institutions that have been closed down through separate legal acts, as well as restructured government units—if requested by the Minister of Finance.

In the current situation there is no such institution in the Polish economy, the banking system is, in general, undeveloped; then the perspectives for the BGK's development look promising. There should be an increasing need for all kinds of banking services from various economic units in connection with reaching the so-called superiority of the financial sphere over the physical sphere and the movement of economic decisions from the widely understood center to the enterprises and the banking system.

Wide Possibilities for Activity

The National Commerce Bank, possessing wide possibilities for financial action in various forms on processes in

the economy, will take up, first of all, those tasks whose realization will speed up the process of realizing a market driven economy, and will also speed up the changes in the objective structure of the economy as well as the structure of production. This refers to, among other things, the problem of eliminating unprofitable enterprises, demonopolizing some areas of manufacturing, and the rapid creation of a capital market whose lack is the cause for low elasticity in economic structures.

The lack of elasticity in economic structures and the unsatisfactory level of efficiency in industry which is linked to the generally low level in the quality of management and the painful shortage of experienced financial and planning personnel, is another area for activity for the BGK (in the form of organizing large scale training, cocreation of consulting firms which would assist enterprises, introducing modern analytical methods).

Another task which requires rapid execution is to have the banking system, and first of all the BGK, involved in the creation of economic units with the participation of foreign capital (foreign capital seeks not only partners for production but also financial institutions whose participation is to lessen the risk of undertaking activities in Poland).

In the area of credits and loans the activities of the BGK will be concentrated on cofinancing investments which have a specific significance to the national economy, which have a character favorable to the restructuring, and are favorable toward creating and widening export specialties, and in the future will be aimed at involvement in financing activities with a higher risk level (technological progress, implementation).

Even though 65 years have passed since the formation of the BGK, it is only at the end of the 1980's that one can find certain analogies with the period of the 1920's, but especially in the area of forming a capital market and a general strengthening of the banking system. The National Commerce Bank has become an important instrument in the hands of the Treasury Minister, which supports the implementation of far reaching reforms. Its reactivation in 1989 permits one to have hope, that it will fulfill its present assignment in an equally effective way.

New Economic Chamber To Aid Private Industry, Trade

26000623c Warsaw *RZECZPOSPOLITA* in Polish
30 Jun 89 p 6

[Unattributed article: "Better Conditions for the Development of Nonsocialized Enterprises"]

[Text] In June 1989, a meeting of representatives of private industry and trade and scientific and research facilities was held at the Chancery of the Council of Ministers. A founding group consisting of Janusz W.

Bandurski, Karol Figat, Janusz Jaroszek, Andrzej Krysztof, Jan Luczak, Janusz Marcyniuk, Ryszard Sawa, Marek Skolimowski, Stefan Stachera, Henryk Tkaczyk, Jan Walczyk, Roman Wojnarowski and Zdzislaw Wrobel was set up, which resolved to initiate the creation of the Polish Economic Chamber of Private Industry and Trade on the basis of the law dated 30 May 1989 on economic chambers.

This chamber will primarily conduct activities aimed at setting up and developing small and medium-size private enterprises. Streamlining the conditions for financing and developing this economic sphere should facilitate the improvement of supply in the domestic market. The development of multifaceted forms of cooperation between private units and socialized enterprises is also considered to be an essential objective.

Promotional activities of the chamber and expanded opportunities for cooperation with other organizations should facilitate the creation of enterprises larger than the shops of craftsmen. Also, better conditions will develop for the modernization of private enterprises. It was resolved to convene the general meeting of the founding members of the chamber on 30 June 1989.

Secretary of the Chairman of the Council of Ministers, General Director of the URM [Office of the Council of Ministers] Edmund Pawlak took part in the meeting.

Krosno Shock-Absorber Factory Prepares for New FIAT Production

26000619b Warsaw ZYCIE WARSZAWY in Polish
23 Jun 89 p 7

[Article by Wojciech Machnicki: "Shock Absorbers From Krosno for the New 'Little FIAT'"]

[Text] The date of starting up the production of the successor of "the little FIAT" is drawing closer. Preparations for beginning the production of parts for this car are under way at many automotive factories in Poland. After all, it is known that the FSM [Compact Car Factory] will assemble subunits and parts produced virtually all over Poland.

The new product means new technological and technical requirements which are at least equal to the West European standards. It is true that Polish customers are primarily the ones waiting for the successor of the FIAT-126p. However, this vehicle will have to meet the requirements of EEC norms, to the member countries of

which it will be exported. It is exactly the vision of considerable exports to this difficult market that makes the preparations for the production of important parts so painstaking.

The Shock-Absorber Factory POLMO in Krosno holds a virtual monopoly on the production of these parts of the car suspension. However, so-called McPherson struts are still not produced. After all, this type of suspension has been dominant in the design of cars with front-wheel drive. As it were, McPherson struts were becoming popular about 20 years ago, whereas at the time the Polish automobile industry negotiated the purchase of one of the last cars in the world with rear-wheel drive and an engine located in the back of the body. Fortunately, the model with the working name FIAT-X-1/79 will be a thoroughly modern car. The Krosno factory will be the one to produce McPherson struts for its front-end suspension, rear shock absorbers, and gas springs supporting the third door in the body which allows access to its rear, trunk compartment.

Deputy Director for Technical Matters of the POLMO Shock Absorber Factory in Krosno Adam Kasperski does not conceal the fact that the work on starting up the production of parts for the popular "X" is increasingly intensive. Evaluations done by the laboratories of the FIAT corporation will determine whether the quality of products is good. These evaluations will definitely be positive. At present, contracts are being signed for the delivery of equipment by leading companies of the world. It will be used to produce suspension parts for the successor of the "little FIAT." Unfortunately, both the metal elements and the plastics in at least the initial period of production will have to be imported. Thus far, domestic industry has been unable to meet the requirements of standards.

However, hard currency for purchasing raw materials, as well as the machinery and equipment for production, has been ensured. At present, the search is on for the location in which to start up production, though it is known that a new production shop with an area of 12,000 square meters will have to be built specifically for the needs of the "X."

Despite ostentatious announcements on the production of over half a million cars a year, thus far the POLMO Shock Absorber Factory in Krosno has been promised the receipt of hard-currency funds for starting up the production of 160,000 sets of suspension parts for the "X." Production is to begin in 1991. Therefore, little time remains.

Auto Industry Faces Adjustment to New Production Demands

26000625 Warsaw TRYBUNA LUDU in Polish
28 Jun 89 pp 1, 3

[Article by Ewa Rosolak: "The Shock Is Past; It Is Time To Act"; first paragraph is TRYBUNA LUDU introduction]

[Text] IKS in Four Models. Retooling at Zeran. When Will We Sign a Contract With FIAT? The Polonez Will Have Successors.

This past December, Minister of Industry Mieczyslaw Wilczek, presenting a plan for development in the automotive industry, stated that in the near future we shall be annually furnishing to the domestic market 500,000 compact cars.

Today we know that these automobiles will be X1/79's [the IKS], automobiles that are really not that small, that are acclaimed for their body design, suspension and their interior equipment, and criticized because of their more than 25-year-old motor design.

As everyone recalls, the decision of Minister Wilczek provoked much discussion. Supporters stressed the fiscal and economic merits of his program; opponents thought the idea was crazy and asked (knowing the answer) about the possibility of purchasing sheet metal and tires, about the number of gas stations and the state of the infrastructure. The future producers of the IKS—FSM [Compact Car Factory] and FSO [Automobile Factory]—reacted to the matter in a manner equally as emotional. In Bielsko they were pleased because the decision favors them in carrying on operations as before; the FSM already had a signed contract with Fiat at the time the decision was made, and work on the production startup of the X1/79 was already in the advanced stages. On the other hand, at FSO the minister's decision provoked a great deal of confusion, rendering impossible, at the last minute, the signing of an agreement that had been in negotiation for 6 years, an agreement for an automobile with a mid-capacity engine that had been assigned the name A-90.

The first reaction was one of shock. Later came the awareness that everything must start over. The self-governing, autonomous, self-financing enterprise was ill at ease. Then the whole management was replaced. The new one represented a new approach to the existing situation. Management recognized that the priorities were to embark immediately upon implementing the new production startup, to expand existing cooperation with the FSM and to conduct extensive efforts to enable the firm to make money.

For several months now, time has been used very intensively at the FSO. The design office of the factory and Moto-Projekt have prepared the startup of the IKS, in four models. With the new automobile in mind, a portion of current production has been transferred from Zeran to branch plants. Only the press, the welding shop,

the assembly plant and the paint shop remain at Zeran. The cleared and rebuilt surfaces allow for the setup of IKS production.

The implementation of the startup is being supervised by a coordinating team appointed by Minister Wilczek. The team is composed of the chief management of both firms and a working group that works together to resolve current problems. Today's cooperation between the FSO and the FSM may be defined as very close and based on respect for mutual rights and interests.

In mid-June, the initial working meeting of the FSO management with the representatives of Fiat was held. Although it did not yield many final solutions or lead to the signing of a contract, it is considered to have been very beneficial. The production distribution of the IKS was established (FSM volume is 250,000 and FSO volume is 160,000) and the creation of a joint venture was ordered, to include Fiat, FSM, FSO and the COP [Central Industrial District] plants, for the production startup of a 4-cylinder engine with a capacity of 1,000 cc. In October, negotiations will enter the next phase. FSO anticipates that these negotiations will resolve problems of the financing of capital spending outlays, problems related to the actual production startup of the IKS and questions of the share of Polish factories in the export of this automobile, particularly to the second payments area.

Today FSO is making an earnest attempt to implement the decision handed down from above. But having been a factory that produces two cars for 38 years, it does not neglect its work on the midsize car now either: it is modernizing the Polonez (quite intensively), projecting a change in the front end and the restyling of the interior in 18 months and it is also producing a continually updated prototype of the Wars. At the same time, a new line of engines for midsize cars is beginning production at Wyszow and the production of derivative vehicles is starting up in Nysa: pickups, ambulances and special vehicles. An unprecedented activism in engaging in cooperation with foreign firms is also in evidence. Some ventures have not yet been announced officially, but everyone already knows about the much-heralded partnership between the Machine Tools Construction Plant (in the FSO organization) and the West German firm Pittler, which produces frontal machine tools of the first quality, or the cooperation with the Dutch.

In addition to this, FSO is always looking for means of financing the IKS. They know that the government does not hand out foreign exchange. Minister Wilczek's proposal to purchase the needed amount of foreign exchange on the market is overly optimistic. The creation of an automotive industry bank would be a sure solution.

For the present, the factory is depending on itself, on proposals put together using foreign capital and on diversification, i.e., embarking upon supplemental production that is not necessarily linked with the production of automobiles.

'Budimex' Defends Construction Exports as Profitable for Nation

26000623a Warsaw RZECZPOSPOLITA in Polish
28 Jun 89 p 5

[Article by "Z": "'Budimex' Does Not Mean Only Exports"]

[Text] The Budimex Co. has been associated most often with the export of construction services. This, after all, is their basic line of business, but not the only one. The slogan "From Poland to the World with Budimex" now needs to be expanded by a second part—"... From the World to Poland." Here are just several examples of the benefits which domestic construction, especially housing construction, is beginning to reap from the export of construction services.

As is known, such export not only generates hard currency, but also presents an opportunity for purchasing many construction machines and equipment not available in the country. Every enterprise which performs work at foreign construction sites comes back enriched with excavators, cranes, trucks, instruments... The transfer of new construction technologies to the country

is no less important. This is the case with, for example, the current spread in Poland of the so-called nonretrievable shuttering.

A partner who has made a good impression in the foreign market becomes a partner sought for further cooperation. Entrepreneurs eagerly enter into further, organizationally more advanced contacts with him. Once again, companies of the Budimex are cases in point. Since 1986, the company CTP—Cement Technology Poland has been in operation; in the second half of this year, it is beginning to mass-produce chip and cement board for housing construction. The work is far advanced on setting up a company with the largest producer of glazed tiles and terracotta ZPC [Chemical Industry Enterprise] "Opoczno" and an Italian partner for increasing the production of such tiles in Poland for the domestic and foreign market. The Budimex is negotiating with the Austrians on setting up a company producing partition walls using gypsum plates.

Grzegorz Tuderek, director general of the Budimex, told a RZECZPOSPOLITA correspondent that this line of business will be carried on. Negotiations are already under way for setting up still more companies with the participation of foreign partners with a view to providing material and technological support for housing construction in our country.

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